

Real Estate 101

1. Intro

- Why Real Estate?
- Players
- How do we play a role?

2. The Development Process

- Predevelopment
- Construction
- Operation

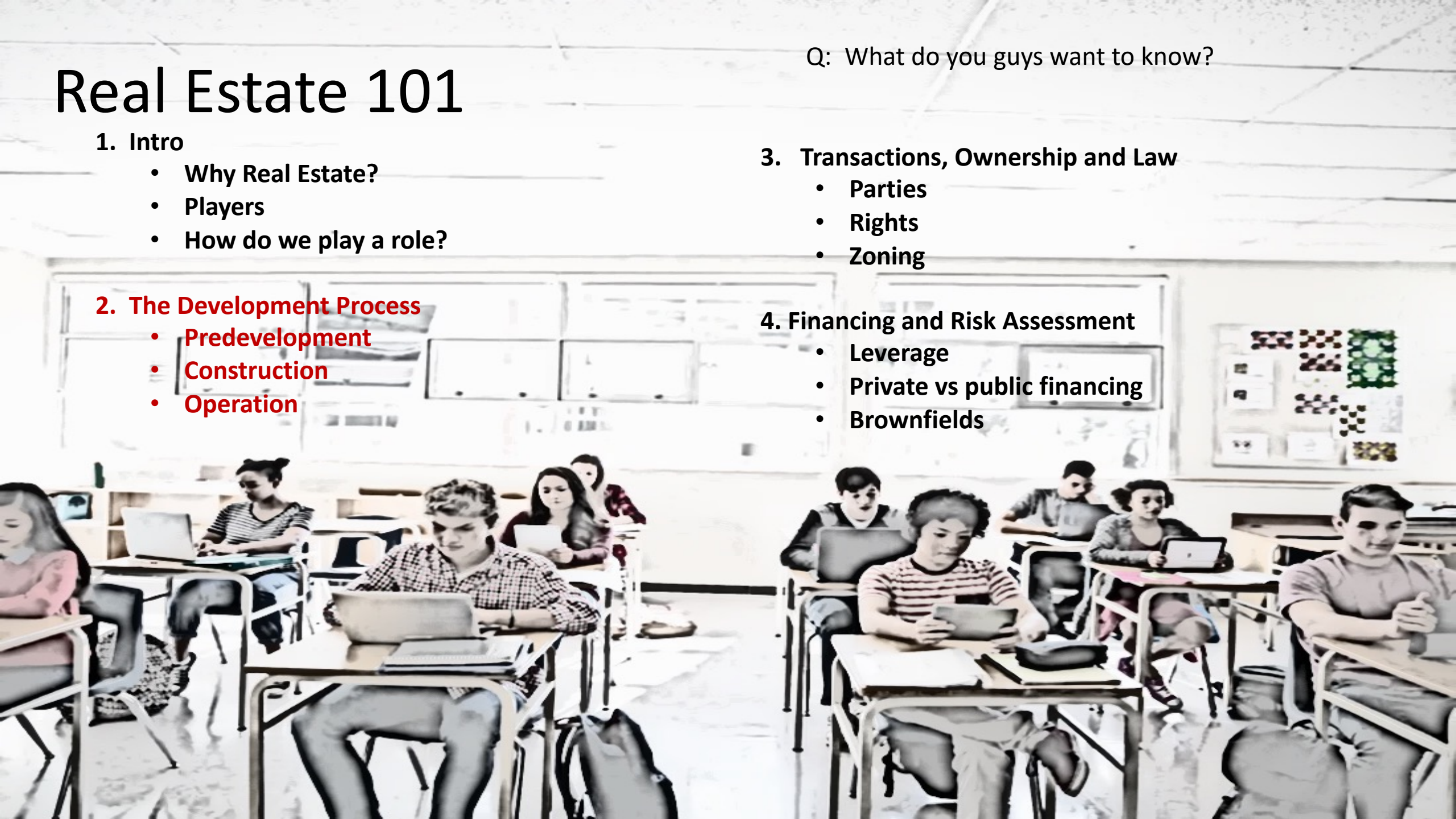
Q: What do you guys want to know?

3. Transactions, Ownership and Law

- Parties
- Rights
- Zoning

4. Financing and Risk Assessment

- Leverage
- Private vs public financing
- Brownfields



Recap Session 1-Intro

What is Real Estate

- Community development tool
- Financial asset

The Key Players In Real Estate – Who Does What?



The Development Process

Real estate requires a huge array of capabilities including people skills, financial acumen, negotiating ability, and technical knowledge. Understanding what is needed during each stage is important. Further, knowing your own abilities and limitations, and when to bring on external help will be critical to your success.

STAGES OF DEVELOPMENT

1. PREDEVELOPMENT – Resolve uncertainty!!!

- Entitlements
- Design
- Cost effective construction
- Market analysis
- Financial resources
- Public review process
- Tenant negotiations

2. CONSTRUCTION

3. LEASEUP & OPERATION - (Stabilization @ 80% for 1 year)

- Ongoing marketing and leasing
- Property management
- Achieving stabilization



The Development Process

Who does what

Predevelopment

- Site Selection & Opportunity Identification
 - Developer
 - Consultant
- Acquisition
 - Broker
- Due Diligence and Entitlements
 - Lawyer
 - Surveyor
- Financial Feasibility
 - Appraisal
- Financing
 - Lender
 - Investors/Partners
- Design
 - Architect

Construction;

- General Contractor
- Subcontractors

Lease Up & Property Management

- Property manager
- Leasing agents

Predevelopment– Essential Questions

What are you building?

Asset Type (Residential, Retail, Office, Industrial, Other)

Where are you planning?

What do you know about the market (and submarket)?

Do you have **tenants** in place?

Do you have committed tenants in place?

TIP: Starting Small with Lower Risk

Owner Occupied and Stable Properties

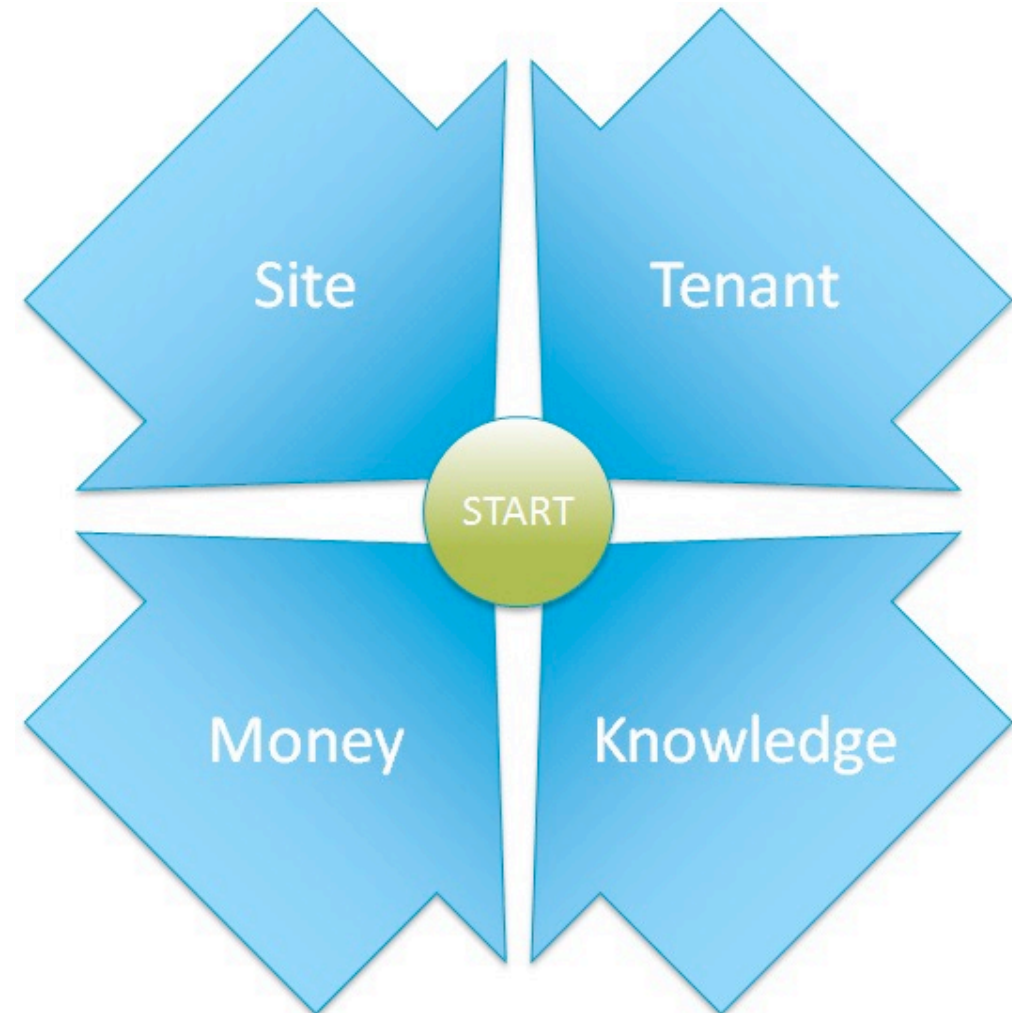
How do you plan to **finance**?

Debt vs Equity

Do you have a **strategy**?

Acquisition (Buy, Redevelop, Build)

Term (Flip v. Hold)



What makes a good site?



What makes a good site?

- *Visibility*
- *Novelty*
- *Access*
- *Proximity to other developments*
- *Greenfield*

PREDEVELOPMENT : SITE SELECTION

A large, modern industrial building with a glass facade and a flat roof, situated in a parking lot under a clear blue sky. The building has multiple stories and a prominent glass section. The foreground is a paved parking area with some yellow bollards. The sky is blue with some light clouds.

BASIC SPECS

- Size (Acreage vs SQ FT)
 - Gross – Total size of the building on all floors from outside walls
 - Rentable – Space for which you can actually charge rent.
 - Usable – The space tenants exclusively use themselves (Rentable SF less common space)
- Age
 - Historic designation?
 - Buildings built before about 1980 may have lead paint and/or asbestos
- Parking
- Others
 - Number of Floors/units
 - Location of elevators/docks
 - Ceiling heights
 - Building systems

PREDEVELOPMENT: SITE SELECTION

ZONING is the process of dividing land in a municipality into zones in which certain land uses are permitted or prohibited (more in Session 3)

- Each property will be “zoned” to allow particular uses, either expressly or conditionally, by the local municipality, and other uses will be prohibited.
- Zoning typically is labeled as residential, commercial, office, industrial, or something similar.
- You may want to build a small commercial building to house a restaurant on a property, but if it is zoned for residential, that might not be allowed.
- Restrictions will often include things such as height limits, property setbacks, and floor-to-area ratios (FAR, the ratio of building floor area to property size.)
- These are critical to understanding whether your desired building can legally be built.

PREDEVELOPMENT: SITE SELECTION

ASSESSING PRICE - Developers should consider purchase price from three perspectives: market, investment, and personal capability.

1) Is your potential purchase in line with the market?

- Finding recently sold properties similar to your target property
 - Adjusting the price, up or down, based on any differences.
 - Not a perfect science!

2) What is the maximum price I should pay for this property while still earning the return I want

- Look at all other costs (both upfront and ongoing) vs your expected revenue
 - more in session 4

3) How much money do you have?

- What you can pay can include both equity & debt

*** Note - If a property is worth more than you can pay, it is likely that the seller will hold out for another buyer, though that is not always the case***

PREDEVELOPMENT: SITE SELECTION

Market Potential – evolution of neighborhoods are more likely to drive changes in a location's market potential (Suburban vs urban revitalization)

"Location, location, location!"

Existing Tenants

- Need to understand basic terms of the leases in place,

Property Conditions – soil conditions, environmental issues, age of systems

Availability – Is the property for sale? Maybe?!?!?

Capital Markets Perspective

Location vs Return



REIT Sectors

Data Center	22.1%
Manufactured Home	19.6%
Industrial	11.6%
Single Family Rental	9.2%
Healthcare	8.1%
Apartment	7.3%
Student Housing	-1.8%
Net Lease	-2.6%
Office	-3.4%
Hotel	-3.5%
Storage	-5.6%
Mall	-13.1%
Shopping Center	-15.2%

Sector Overview

Sector Heatmap

Sector Charting

Select Timeframe

1D

5D

1M

3M

6M

YTD

1Y

Sector SPDR Fund

% Change

S&P 500 Index

+10.44%

Consumer Discretionary (XLY)

+11.95%

Consumer Staples (XLP)

+6.52%

Energy (XLE)

-13.56%

Financials (XLF)

+6.67%

Health Care (XLV)

+17.48%

Industrials (XLI)

+10.54%

Materials (XLB)

+11.19%

Real Estate (XLRE)

+5.50%

Technology (XLK)

+18.84%

Utilities (XLU)

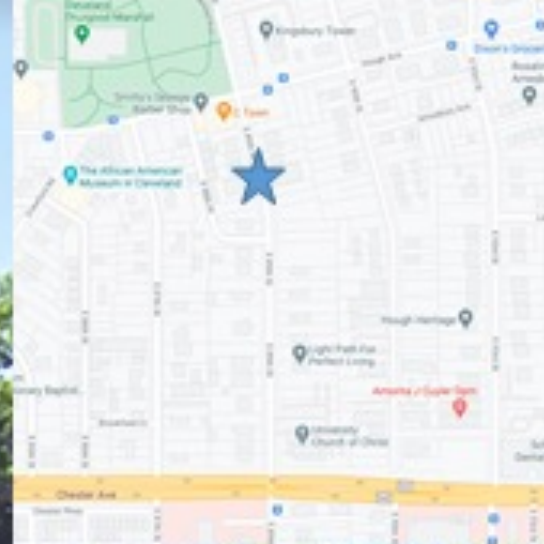
+9.72%

Questions?



What do you see?

What does a developer see?



Developer questions.....

- *How much does the property **cost**?*
- *How **many** apartments are there?*
- *How much can you **rent** the units?*
- *How much **money** do you have?*
- *How much do you need to **spend** on fixing it up?*

- *How much does the property **cost**?*



Buy Rent Sell Home Loans Agent finder

 Zillow

Manage Rentals Adve

When you're ready for a change,
we're ready to help.

Enter an address, neighborhood, city, or ZIP code



Whether you're buying, selling or renting,
we can help you move forward.

 LoopNet

Find your next commercial propo

For Sale

For Lease

Auctions

Businesses For Sale

Enter a property type

Enter a location

Search

gn

ike to Open a
Space in a

 Ten-X

The world's largest online commercial real estate auction platform

• How much does the property **cost**?



CUYAHOGA COUNTY, *Ohio*
MyPlace

Search

City Cleveland

Search By

☐ Owner

☐ Parcel

☐ Address

11905029 | ALYVON ASSOCIATES, LLC | 1780 E 89 ST | CLEVELA



View Map

PROPERTY DATA

General Information

Transfers

Values

Land

Building Information

Building Sketch

Other Improvements

Permits

Property Summary Report

TAXES

Tax Bill

View/Pay Tax Bill

LEGAL RECORDINGS

Get a Document List

ACTIVITY

119-05-029

ALYVON ASSOCIATES, LLC

1780 E 89 ST

CLEVELAND, OH. 44106

Value History

— Tax year: 2020 - Total Value: \$157,300

	Tax	Exempt
Land Use Code	4010	
Land	\$14,800	\$
Building	\$142,500	\$
Total	\$157,300	\$

+ Tax year: 2019 - Total Value: \$157,300

+ Tax year: 2018 - Total Value: \$157,300

+ Tax year: 2017 - Total Value: \$148,100

+ Tax year: 2016 - Total Value: \$148,100



Search

City

Cleveland

Search By

☐ Owner

☐ Parcel

☐ Address

11905029 | ALYVON ASSOCIATES, LLC | 1780 E 89 ST | CLEVELAND | 44106



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Informal Reviews

Board of Revisions Cases

119-05-029

ALYVON ASSOCIATES, LLC

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CLEVELAND, OH. 44106

Building Information

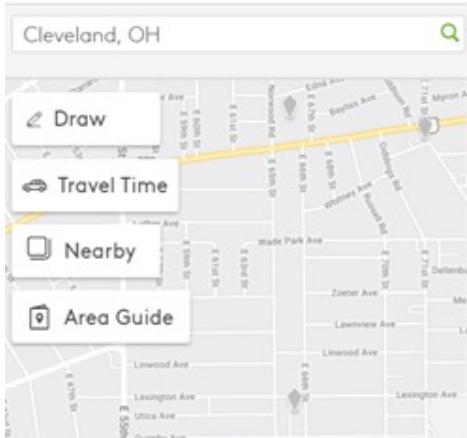
Building ID	1	Construction Class	CLASS C
Basement Type	FULL	Total Story Height	3
Usable Area	10905	Condition	AVERAGE
Date Build	1920	Date Remodeled	
Exterior Walls	BRICK	Framing	FIRE RESISTANT
Roof Type	GABLE	Roof Covering	COMPOSITION
Office Area		Mezzanine Area	
Mezzanine Finish		Wall Height	9
Heat Type	HOT-WATR/STM	Air Conditioning	NONE
Number Of Occurances		Office Finish	
Retail Area		Retail Finish	
Number of Units	9	Total Fixtures	36
Bathrooms	6	Half Baths	6

Site Uses

Use Description	Floor Level	Area
APT-BSMT-UTL	BMT	3,635
APARTMENTS	1ST	3,635
APARTMENTS	2ND	3,635

- How much can you charge for **RENT** in each of the units?





Apartmentguide

Cleveland, OH 1 Bedroom

1 Bedroom X Clear Filters

Home > Ohio > Cleveland > Map Location

1 Apartment Available

1692 E 55TH ST, CLEVELAND, OH 44115
1 Bed | 1 Bath
688+ Sqft
(216) 208-6372

CLEVELAND APARTMENT FEATURES

Popular Amenities

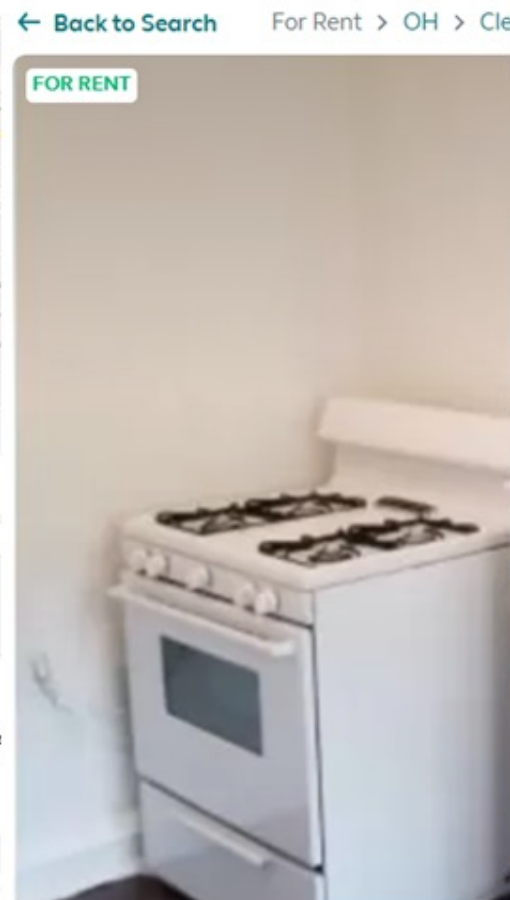
Apartments with Balcony in Cleveland
Apartments with Disability Access in Cleveland
Apartments with Elevator in Cleveland
View More*

Lifestyle

Cheap Apartments in Cleveland
Income Restricted Apartments in Cleveland
Loft Layout Apartments in Cleveland

Bedrooms

Studio Apartments in Cleveland
2 Bedroom Apartments in Cleveland
3 Bedroom Apartments in Cleveland
View More*



1830 E 87th St #1T

Cleveland, OH 44106 Hough

Studio 1 Bath 600 sqft

\$615/mo

Taking Applications

Apply Now

Powered by Zillow

Local Information

Zillow

Save Share More

\$615/mo

-- bd | 1 ba | 600 sqft

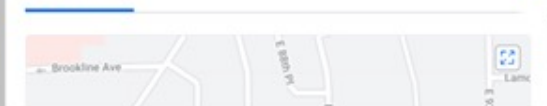
1830 E 87th St UNIT 1T, Cleveland, OH 44106

Apartment for rent

Request a tour

Apply now

Overview Facts and features Rent Zestimate Pr



ForRent.com

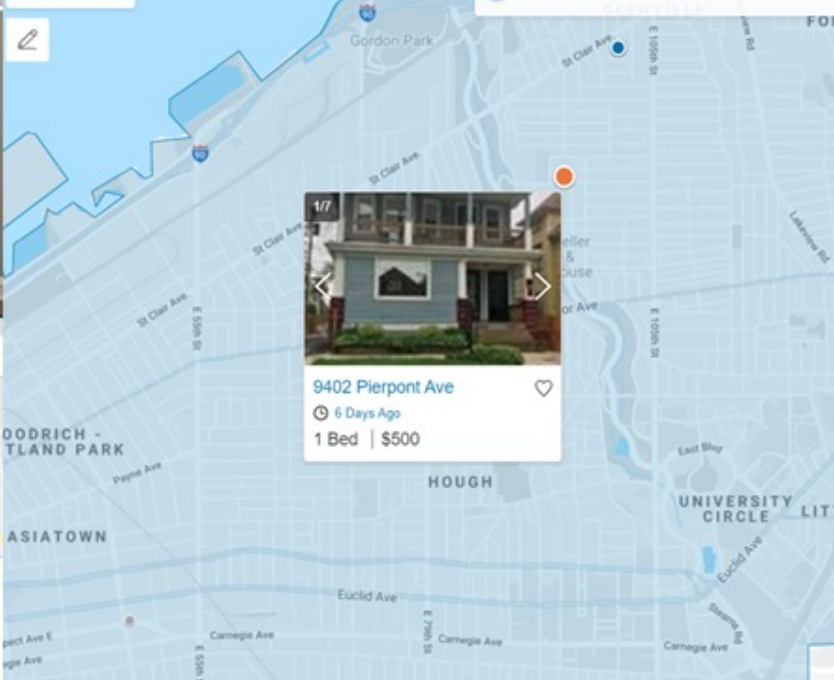
Cleveland, OH

< \$500

Beds & Baths

Map Tools

3 Apartments for Rent for less than \$500 in Cleveland



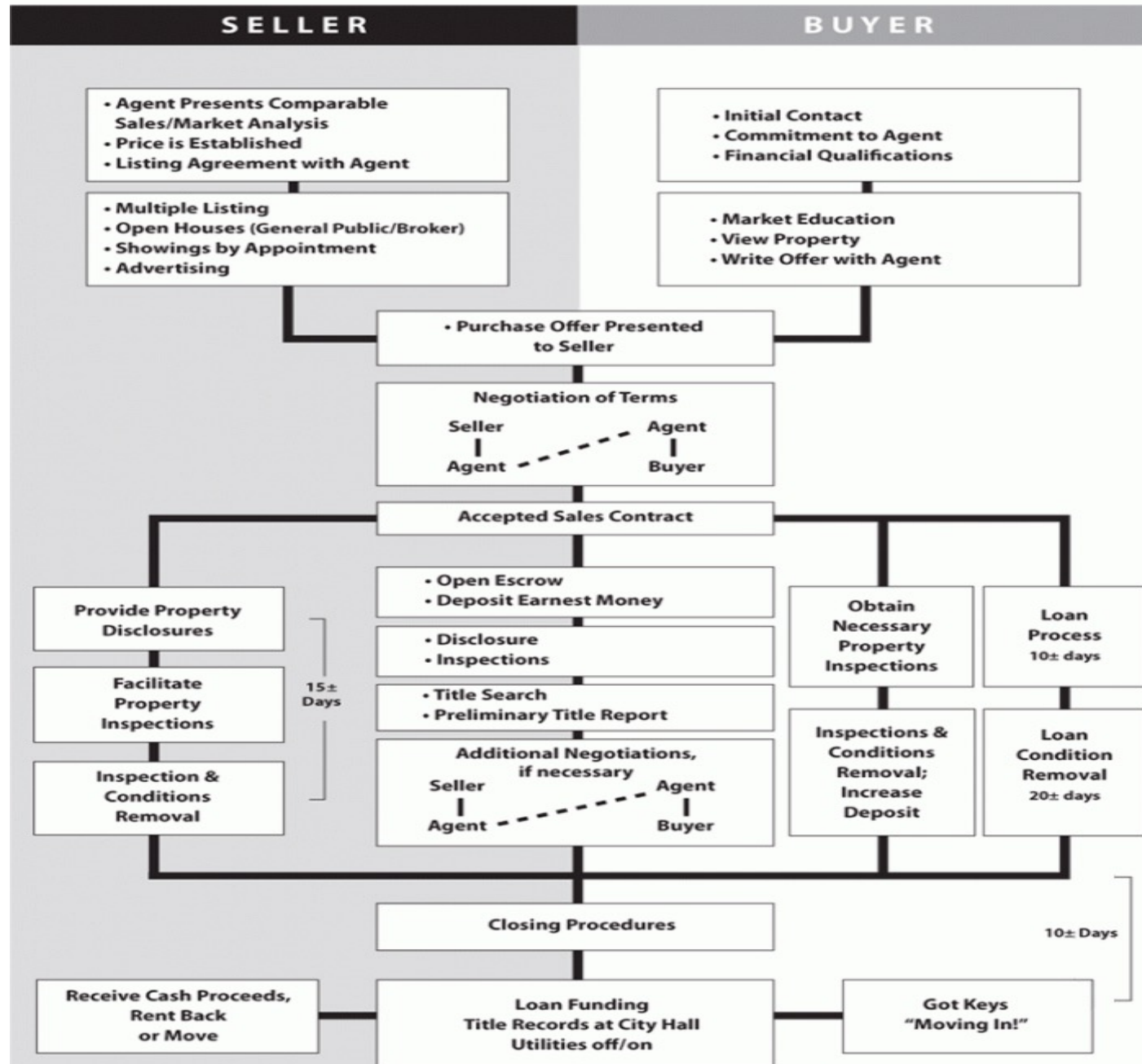
- *How much do you need to **spend** on fixing it up?*

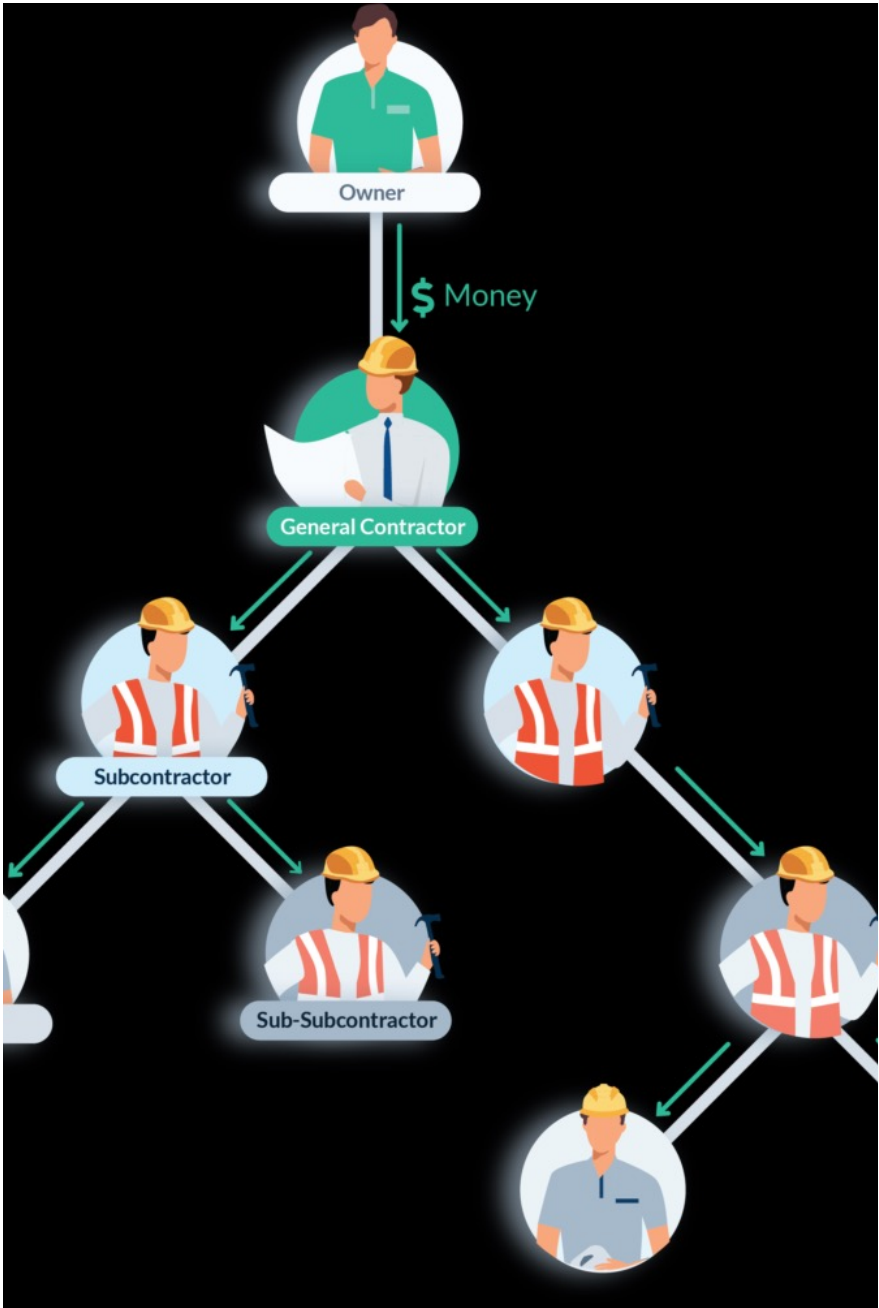
[illegible]

Free Cleveland Resources

- City of Cleveland Planning Commission
- Cuyahoga County Auditor
- Cleveland Historical Maps
- Walk Score
- Traffic Counts - NOACA
- Market reports
 - CBRE
 - Colliers
 - Cushman Wakefield
- Residential: Zillow, Trulia, Hotpads
- Commercial: Loopnet

The Flow of Real Estate Transactions





CONSTRUCTION

CONSTRUCTION

Phase Two: Construction and Development Phase

Major Activities

Site acquisition
Complete final design
Bid construction/select contractor
Construction
Complete preleasing

Financing Issues

Large investment of funds
Construction completion risk
Unexpected costs
Lease-up risk
Take-out financing



STABILIZATION

PROFORMA
Crossroads of Janesville (104,337 SF)

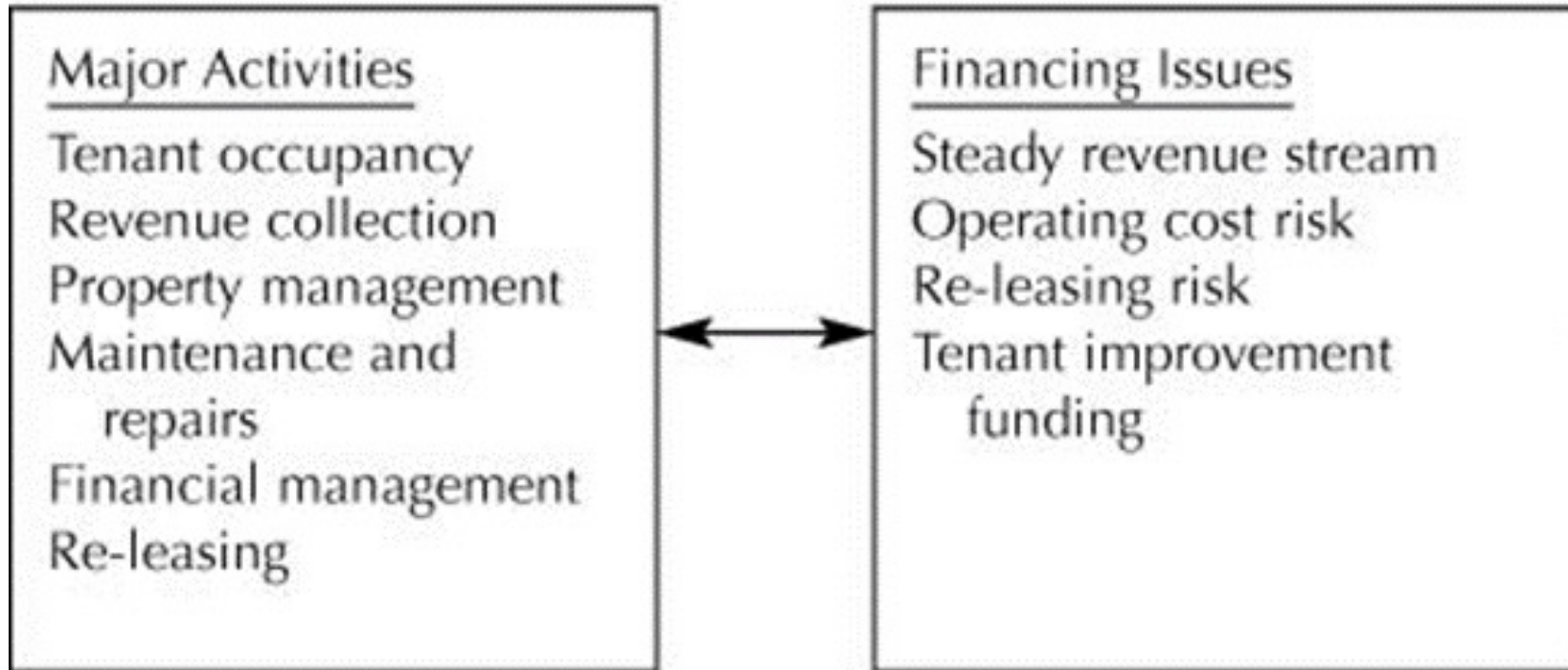
December Rent Roll: Fernwood Apartments				
Tenant	Apartment	Lease Start	Lease End	Rent
Anderson, John	F	1/1/2005	12/31	\$900
Chabannes, Norbert	A	6/1/2000	5/30	\$1,000
Freeman, Larry	B	11/1/2005	10/31	\$1,100
Lucas, Patricia	E	4/1/2003	3/31	\$990
Malone, Paulette	C	6/1/2004	5/31	\$1,050
Woodruff, Joseph	D	9/1/2006	8/31	\$1,100

Jump To: 1 ▾	1	2	3	4	5	6	7			
End of Year	10/30/2012	10/30/2013	10/30/2014	10/30/2015	10/30/2016	10/30/2017	10/30/2018	10/30/2019	10/30/2020	10/30/2021
Anytime Fitness	\$50,325	\$52,338	\$53,385	\$54,472	\$55,559	\$56,686	\$57,813	\$60,145	\$61,352	\$62,579
Dollar Tree	\$134,320	\$134,320	\$134,320	\$134,320	\$134,320	\$140,160	\$140,160	\$140,160	\$140,160	\$140,160
Hobby Lobby	\$421,950	\$421,950	\$421,950	\$421,950	\$421,950	\$436,500	\$436,500	\$436,500	\$436,500	\$436,500
Slumberland	\$240,000	\$240,000	\$240,000	\$240,000	\$240,000	\$275,909	\$275,909	\$275,909	\$275,909	\$275,909
POTENTIAL RENTAL INCOME	\$846,595	\$848,608	\$849,655	\$850,742	\$851,829	\$909,255	\$910,382	\$912,714	\$913,920	\$915,147
Anytime Fitness Reimbursements	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811	\$12,811
Dollar Tree Reimbursements	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166	\$37,166
Hobby Lobby Reimbursements	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192	\$185,192
Slumberland Reimbursements	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831	\$96,831
TOTAL POTENTIAL RENTAL INCOME	\$1,178,595	\$1,180,608	\$1,181,655	\$1,182,742	\$1,183,829	\$1,241,255	\$1,242,382	\$1,244,714	\$1,245,920	\$1,247,147
General Vacancy	(\$94,288)	(\$94,449)	(\$94,532)	(\$94,619)	(\$94,706)	(\$99,300)	(\$99,391)	(\$99,577)	(\$99,674)	(\$99,772)
EFFECTIVE RENTAL INCOME	\$1,084,307	\$1,086,159	\$1,087,122	\$1,088,122	\$1,089,122	\$1,141,954	\$1,142,991	\$1,145,137	\$1,146,247	\$1,147,375
Property Taxes	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)	(\$70,000)
Insurance	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)
Utilities	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)
CAM	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)
Total Expenses	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)	(\$332,000)
NET OPERATING INCOME	\$752,307	\$754,159	\$755,122	\$756,122	\$757,122	\$809,954	\$810,991	\$813,137	\$814,247	\$815,375
BB&T	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$606,460)	(\$5,316,825)
Leasing Commissions	(\$128,977)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reversion	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11,950,000
CASH FLOW BEFORE TAX	\$16,871	\$147,700	\$148,663	\$149,663	\$150,663	\$203,495	\$204,532	\$206,677	\$207,787	\$7,448,550



STABILIZATION

Phase Three: Occupancy and Property Management Phase





Questions?

Real Estate 103

JUNE 17th, 6PM

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- How do we play a role?

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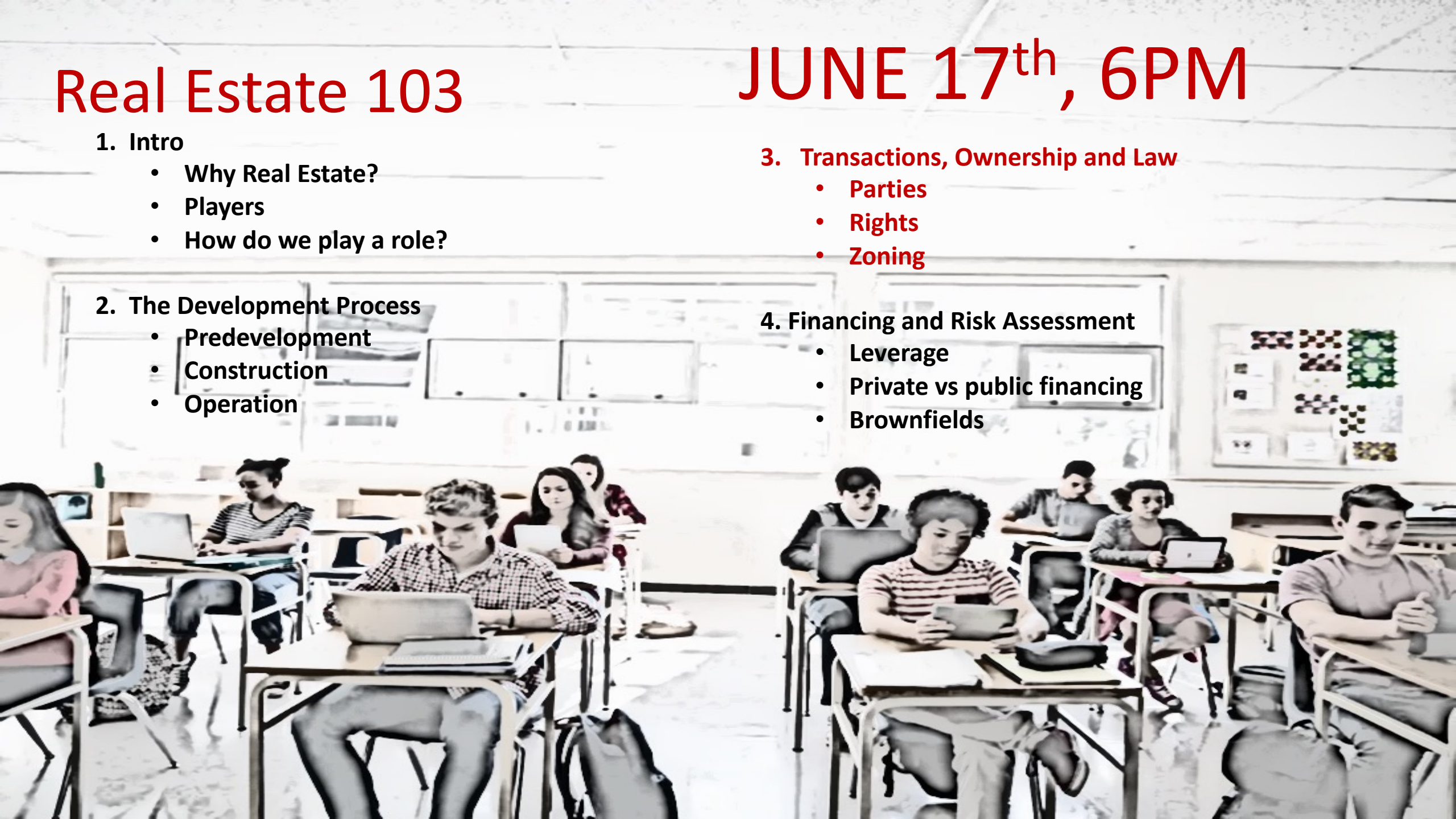
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MID TOWN **HTC** CLEVELAND HEALTH-TECH CORRIDOR



INNOVATION INTERSECTION

WITH GUEST
Nottingham Spirk

MAY 27, 2021
12:00-1:30 PM

CO-FOUNDER
John Nottingham

Learn how Nottingham Spirk helps companies innovate through insights, industrial design, engineering, prototyping & commercialization services.

HOSTED BY
Tagan Horton
FOUNDER, LAY OF THE LAND PODCAST



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Real Estate 101 with Cleveland Neighborhood...



Innovation Intersection with IOTC

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