

INSIDE BASEBALL THE TOTAL REAL ESTATE CAPITAL STRATEGY

3 ASSET ARBITRAGE ("Crossing Trades", Wholesaling)

- Making incentives and fees net of the bid.
- Most commonly single commercial assets and Bulk REO/Non-Performing Residential Loan Portfolios.
- "Building the Book": Find out the axe of your Bulk REO/NPL buyers and cross smaller trades from a larger institutional seller or bank to smaller but qualified buyers.

2 CAPITAL FORMATION ("Principalling" or Syndication)

- Raising debt or equity to buy commercial real estate assets - ideally assets with assumable loans ("conduit loans").
- Advising others to raise equity capital and creating their pitchbooks for you to invest alongside them ("real estate investment banking").

1 CAPITAL PLACEMENT (Financing Deals)

- Providing Debt, Mezzanine ("Mezz", "Pref") or Preferred Equity ("Pref") Capital
- Credit Facilities (Bulk REO Buyers, Hard Money Lenders)
- Debtor-In-Possession Financing



DEAL FLOW

- You will not know or really be able to control the types of deals being thrown at you due to the nature of the real estate business.
- Your job - **and where you add the most value** - is determining if you're going to hit a "single", "double", or "triple".

- Any deal requires you, your investors or your buyers to get in at a strong basis (low purchase price as compared to value of asset **today**).
- The basis will either make or break the deal, **and your reputation as a deal maker.**
- Deals with the lowest possible basis are technically home runs.
- For Commercial: Use the "5 Data Points" to qualify these deals and determine your basis at bid.
For Bulk REO/NPL: Use pricing expectations from your seller.

THESE WILL USUALLY FALL INTO TWO BUCKETS:

1. Real estate investors who have found something interesting to buy but don't have all the capital they need
2. Commercial owners who have been asked "buy their note back at a discount"; meaning that they have the opportunity to refinance their note for lower than the current unpaid principal balance ("UPB").

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