

# 7 PROFIT CENTERS OF REAL ESTATE

## What makes Real Estate a safer and better investment than other types of investing?

The 7 profit centers of real estate are the foundation for developing investments that are solid and provide an excellent return on dollars invested. Discover why real estate investors love real estate compared to other investments and how investors are compensated for the risks. Carpe Diem Real Estate Investments Ltd. endeavors to deliver on all 7 profit centers with our joint venture investments.

## EQUITY ON DAY ONE

Buying under market value.

We look for properties that are selling under market value or opportunities to increase market value through repairs and renovations or changes to current use. Purchasing this way provides an instant return on the dollar.

*Example*

Purchase Price:           \$300,000  
Market Value            \$305,000

Equity Day One   \$5,000



## LEVERAGE

Using other people's money to finance projects.

Envision a see-saw, a little effort lifting something heavy on the other side. By putting a 10%-30% down payment, we are able to use the bank's money to buy an investment property!

*Example*



\$300,000 Property  
20% Down Payment = \$60,000

100% Down=  
\$300,000

10% Gain Over 2 Years=  
\$30,000

10% Gain over 2  
years = \$30,000

Return On Investment From  
Leverage  
50%

Return on cash  
Investment  
10%

## CASH FLOW

Tenants' rents cover all the operating and financing expenses, providing cash flow every month.

Tenants are the cornerstone of our investments. Carpe Diem Real Estate Investments Ltd. delivers quality management to attract and retain good tenants. We strive for investments that have positive cash flow so you earn income without having to go to work.

### *Example*

Rent: \$1900  
Operating Expenses \$350 (Utilities, insurance, repairs etc)

Financing Expenses \$1400 (Mortgage payment)  
Monthly Cash Flow \$150



## PRINCIPAL REDUCTION

Every month, tenant's rents help pay down the principal, and even when their leases end, they leave behind the windows and doors that they have helped pay off!

### *Example*

Rent: \$1900  
Operating Expenses \$350

Financing Expense -  
Principal \$250  
Financing Expense - Interest \$1200  
Monthly Cash Flow \$100



12 x \$250 = \$3,000 per year mortgage payoff

## TAX BENEFIT

CRA allows expenses that are incurred to earn income to be deducted for income tax returns, lowering the taxes payable.

Operating expenses incurred every month for utilities, maintenance and repairs, insurance, and taxes can be deducted when reporting the rental income every year, lowering the taxes you have to pay on the rental income. So at the end of the year, there's more money in your pocket.



## APPRECIATION

Real estate values, at a minimum, increase with inflation. In a hot real estate market we've seen up to 50% in one year!

Because the investment is leveraged, the return on investment from appreciation is multiplied. With 20% down it is multiplied by 5. Factors that can affect appreciation are specific to each market which is why, when we research new real estate markets, we consider growth rates by looking at infrastructure (is the community experiencing new buildings such as retirement communities, schools, and retail outlets), vacancy rates, employment rate, in/out migration etc.



Property value           \$300,000  
20% Down Payment   \$60,000

Increases 5% per year for the next  
3 years

Total Gain               \$47,288  
Return on Investment (Gain/Down  
payment)                78.81%



## REINVEST YOUR EQUITY

Take out the equity gain in the property and repeat as above!

There is no need to wait for the sale of the property to get money, banks allow investors to take approximately 75% of the equity (market value minus mortgage principal outstanding) for other uses. We recommend repeating the above mentioned 7 profit centers with another investment!

And that is the magic formula for building wealth through Real Estate Investing.

Carpe Diem Real Estate Investments

building dreams together

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