



Welcome Harlan Friedman - [ID:  
40261]  
harlan@loanforbiz.com  
**LOG OUT**



[Article Manager](#) ■ [Account Manager](#) ■ [Profile Manager](#) ■ [Author Tools](#) ■  
[Author Resources](#) ■

## Article Preview

### Consider These Four Points Before You Make An Offer To Buy An Investment Property

By: Harlan Friedman

**Article ID:** 256820

**Published:** July 30, 2006

**Category:** Finance :: Real Estate

**Article Word Count:** 882

#### Point #1: You must have a clear goal for the property that you are purchasing.

Incredibly, many people make investment decisions because someone told them about a great idea or opportunity. They never put pen to paper to even figure out if a profit is possible! Others buy property or investments and have no clear cut return they are shooting for or a game plan on how to get it.

What is your goal for this purchase? What return are you looking for on a year basis? How many years are you planning ot hold the property? Are you trying to buy a fixer-upper? Are you hoping to renovate it and fully rent it out and sell it? When are you going to try to sell the property?

The above are just starting points for you to start to inquire within yourself before you buy a piece of property. The point is to never buy a piece of real estate investment property unless you know why you are buying the property, your expected return on your investment and your exit strategy for getting out of the property with a profit.

HELPFUL TIP: Before you go into contract, run your deal by a commercial mortgage professional, Get expert advice BEFORE you commit! They can alert you to the pitfalls and even bring creative financing strategies to the deal to maximize your return.

#### Point #2: Thinking only about the Interest Rate that you have been offered

#### Article Manager Help

##### Article Preview Help

In this area, you are viewing your article. From here you can either remove the article or modify/edit your article further.

To remove your article, click on the "Delete This Article" button. Please note, if you are deleting the article so you can edit it and re-submit, we encourage you to not remove the article, but rather "Edit" your article.

To edit your article, click on the "Edit This Article" button. If you are editing an article that has already been approved by our Editorial Team, please take a note that once you re-submit the edited version it will be offline until our team reviews and approves your modifications.

The lowest interest rate is NOT necessarily the best deal for commercial property. Amortization is just as important. Amortization is the length of time the payment will be factored over, the longer the amortization, the lower the payment. Depending on your goal, the lower payment yields you better cash flow and more profit per year-better ROI (return on investment).

For example, a \$500,000 mortgage with a 10-year balloon and a 15-year amortization at 5.5% interest rate yields a payment of \$4,085/month. The same mortgage with a 25-year amortization but a rate of 6% yields a payment of \$3,221/month. Same loan amount, ½ a percent higher rate but because of the longer amortization your monthly payment is over \$800 less per month. If the cash flow on the property was going to net you \$1000 a month at the 5.5% rate this extra \$800 a month or \$9,600 per year, now that's a better return on your investment due to the longer amortization. Over 80%!

**Point #3: Knowing when to shop, and knowing when to stop shopping.**

Remember, on commercial loans even if you are a great borrower-you may still get turned down by your local bank. Why? The property may not be good. By that we mean that the bank may have a required debt service coverage ratio, and your deals cash flow does not meet that lenders requirement; they may have filled their quota for the month on commercial loans, or they may just not like to loan on the certain type of property you are buying. Don't take it personally.

Almost as bad as just going to one bank and putting all your eggs in that basket is shopping around and getting a commitment at terms you like that make the deal profitable and meet your goals and then CONTINUING TO SHOP! If you get what you wanted-don't be greedy. Wall Street has a saying, "Bulls and bears make money, Pigs get slaughtered".

HELPFUL TIP: Don't look a gift horse in the mouth. If you know the profitability you wanted and the lender is agreeing to your deal offer up any reasonable requested commitment fee, and let the broker or lender do their job to close that loan for you.

**Point #4: Emotions - Loving the deal and ignoring economic sense.**

I have seen people try to buy a piece of property and lender after lender turns it down because the value is not justified or something. Yet, instead of realizing that smart financial people are telling you the deal is bad they persist to keep trying to buy it.

Sometimes even getting hard private money at exorbitant rates that will never generate a profit for you Remember, banks and lenders are in the business of lending you money. They want to lend money on deals that make sense. If EVERYONE says your deal does not make sense

**LISTEN TO THEM.**

Get out of the deal or partner with someone who knows how to make it work or something. Don't resort to ridiculous interest rates because you believe you HAVE to have this property. Again, heed advice and be smart.

**HELPFUL TIP:** Besides speaking to an expert BEFORE buying- put pen to paper and make sure the deal makes economic sense, not just emotional sense. In commercial property purchases its economics that must rule, not emotions.

I trust that these four points will put YOU more in control when making your next buying decision for purchasing investment real estate.

Harlan A. Friedman, Esq., is president of Lightning Commercial Funding Inc., a California mortgage broker. He has more than 25 years of experience as an investment banker and financial consultant, issuing municipal debt for his clients. Lightning Commercial Funding specializes in financing commercial projects exclusively, from the startup of new business to large commercial transactions. Reach Friedman at (858) 592-0659 or [harlan@loanforbiz.com](mailto:harlan@loanforbiz.com). Visit his company at <http://www.loanforbiz.com>.

[▶ Edit This Article](#)[▶ Delete This Article](#)