

# How to Get Started Investing in Commercial Real Estate



Every author has a goal for the book he/she is writing. I suppose it is logical to assume that the goal for many writers is to become financially independent by virtue of the books they author. That is a worthy goal, provided that the author has first grasped the concept that, to achieve your worthy goals, you must help others attain their worthy goals. By *worthy* I mean a goal that is realistic to your abilities, is task oriented, is measurable, has a timetable attached to it, and has worth other than simply a dollar amount. A writer following this scenario would then be required to provide the reader with all the elements essential to attain the principal task of his book.

In my case, the mandate is to give my reader the tools and the road map for success in investing in commercial real estate. To rephrase a rather old saying, “Only if your better mousetrap works will they beat a path to your door.”

This section of the book gives you a heads-up on what to expect in the chapters to follow and how to make the most of them. Each chapter begins with a description of its

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principal goals. To help you stay on track, each chapter also lists key words and concepts, which are then discussed in some detail. While these elements pertain mainly to the goals of the chapter, they also introduce insider secrets and other concepts and techniques that will be important tools as you begin to implement the interim steps which will lead you to success later on. These key words and concepts are introduced in an order that will enhance your understanding of later elements in the book. The following paragraph begins with the format that each succeeding chapter will follow:

The goal of this chapter is:

### **How to Get Started in Commercial Real Estate**

#### **Key Words and Concepts to Build Your Insider Knowledge**

**Commercial Real Estate Defined**

**Investment vs Use**

**Comfort Zone**

**Setting Realistic Goals**

### **Commercial Real Estate Defined**

For the purpose of this book, commercial real estate is considered to be any real estate that has the ability to produce outside revenue or income for you as an investor in that property. This can include a vacant lot or tract of land on which you intend to construct a building to rent out, or land that can itself be leased to a user and thereby produce income. A duplex or apartment building in which you live while you rent out the other units is considered a commercial property. A single family home where you live is not, at that moment, a commercial property. If you later make changes to the property such

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that you can generate income, whether or not you still live there, then the property becomes a form of commercial property.

### **Investment versus Use**

It is essential to distinguish between the two elements of investment and use. Let's start with an investment property. When you find a property you wish to *invest* in, it is a property that you anticipate will return a profit to you at a future date. A property you intend to *use* may end up being a good investment, but your original goal is not to profit directly from the real estate but, rather, to profit from your personal use of it. You might need an office to house your business, so you buy one to use. Or you may need a home and, rather than rent, you buy one to use. The concept of use is important, because it includes other factors that make a property valuable for more reasons than just profit from income or a future sale.

This book delves deeply into the different reasons people buy real estate. To set the stage, consider that a person buys a home or apartment near a great school or work or medical care for reasons oriented to those services, and not solely for future profit. Grasp the idea that use may be the ultimate deciding factor in the purchase of a property, and that it may even be the sole reason for its value to a specific user. Keep in mind right from the start, not all properties can be used for every possible use. By the time you have completed this book you will understand that the key insider secret to investing in commercial real estate is *use* and in the long run *use* governs profit.

### **Comfort Zone**

I use the term *comfort zone* to refer to the investment area that you establish. It will begin as a small part of your neighborhood or other area of town, perhaps where you work. Your long-range goal is to become an expert in everything that goes on, from a real estate and value point of view, within that comfort zone. You will slowly expand

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the zone until it contains more of the kind of properties which you might eventually want to own. Your task is to become comfortable in every way with the kind of real estate you are going to buy. For example, if you want to own small apartment buildings, you will define the area of town where you will become knowledgeable of what is going on in the apartment rental business in that area as well as in adjoining areas that may also affect your area. (I will give you details on what you will need to do in Chapter 4).

### Setting Realistic Goals

I have already mentioned the importance of goals. To reinforce the earlier statement: A worthy goal is one that is realistic to your abilities, is task oriented, is measurable, has a timetable attached to it, and has merit or worth other than simply the dollar sign at its end. It is easy to say, “My goal is to have ten million dollars” and truly want that to happen. But that kind of goal generally brings you only disappointment. The missing ingredients are those other elements.

- *Goals should be realistic to your abilities.* First of all, what are your abilities? By this I don’t mean the list of things you are capable of doing right now. You need to include those talents that you can unleash or expand. A class in general contracting or in decorating might be a good start, if that is something you have a good feel for. “Realistic to your abilities” would not mean becoming an airline pilot, for example, unless you have the time to learn how to fly, get the needed experience to be hired by an airline, and enjoy flying in the first place.
- *The goal must be task oriented.* This means you have to do something to make the goal come about. Sitting on your duff waiting for the lotto number you picked to come up is not exactly a task-oriented event. “I will become an expert in my comfort zone” is a good goal only if you then go out and do what is necessary to become that expert. Good news on that front: I can show you exactly what you will need to do, and the rest will be up to you. Becoming an expert in your comfort zone is ex-

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actly what one of your primary goals will be. You might as well write that one down right now. Everything this book points to is how to obtain that status, then how to use the status and your newfound knowledge to reach your financial targets.

- *The goal must be measurable.* The goal to be rich is one you will likely never reach, because most rich people I know are driven by the dollar sign and never feel they are rich enough. So, by *measurable*, I'm not talking about the concept of being rich, but an obtainable amount of money. To do this, first think of the end result—say, to become financially independent. As you move toward that long-range goal, check on your progress from time to time. How far along are you in reaching that point? A good measuring point might be to set, as the goal you first target, the amount of money you are currently earning from your present job. Write down your present wages and then aim to obtain that amount over and above what you earn from your current job from your real estate investments.
- *The goal must have a timetable tied to it.* If you have carefully followed the idea of a realistic goal, then you should have some idea of how long it might take to get there. If you set a deadline of two years to own your own home, and a year goes by and you have not even been out looking for homes or haven't even picked a neighborhood you would like to live in, I'd say you need to reevaluate your timetable. It might be that you underestimated the steps you need to accomplish before you know enough to achieve the goal. It's okay to change your goal once you have set it up, timetable and all, but don't wait two years to do that. And when you do make a change, be sure you understand the reason for making it.
- *The goal must have merit or worth beyond a dollar amount.* Ask this question of yourself: "Why do I want to own several small apartment buildings?" The right answer is not "to become a millionaire." The answer should fit into a longer-range plan. A longer-range plan is, in essence, a goal on a bigger scale. All goals should be structured so that short-range goals are designed to be steps up the ladder. As you achieve them, you are moving in the direction of the longer-range goal.

Far too many people set long-range goals but then fail to grasp that while their goal—for instance, to move to Paris—might be okay, there is something missing. For

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example, how do you get to the point that you will be able to support yourself (and family) once you got there? Or, perhaps, what do you do to obtain sufficient funds to be so financially independent that you will be able to retire? Each element that leads you toward your long-range goal is in itself nothing more than an achieved segment on a road map to your desired destination.

Whether real estate is to be a part of the destination or only a step that takes you there, this book will allow you to develop a plan that will help you achieve your goal. Once you are on your way and begin to move up the ladder of attainment of goals, you can keep raising your sights. Start with the smallest elements possible until you discover that all the goals you set, you attain. How about this as your next goal: “I will read this book within the next 20 days.” Then go on to, “I will start to follow the steps to develop a comfort zone and become a real estate insider.”

The next chapter of this book will begin your formation—or reformation, as the case may be—into a highly effective and successful real estate investor.

### **How to Get the Most out of This Book**

You will get the maximum benefit from this book if you begin to implement the steps as you read about them. The majority of the tasks you will be asked to do are designed to turn you into a real estate insider. As you begin to learn the real insider secrets from the book, and build your real estate vocabulary of words and concepts, you will also see how easy it is to rub elbows with other real estate insiders. If there is any doubt as to who they are, don’t worry. I not only tell you how to find them, but I give you tips on how to get the most out of your new sphere of friends and future business associates.

By the time you have completed the first eight chapters, you will be ready to start some of the major steps necessary to make your entry into the circle of real estate insiders. This is when you will start attending city commission meetings and planning and zoning board meetings. Wait until you are finished with Chapter 8 before going to those

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meetings. You will appreciate them far more than you might now, and until you are ready, the people you will meet are not yet ready for you.

By reading each chapter in order, the material will flow better, and you will have time to use the information in your everyday activities. Even a drive to work can be a step in the right direction at learning how to become a real estate expert in your comfort zone. How? Learn to observe what is going on. Change routes from time to time so as to know what is happening on the back streets and not just along the thriftiest route between your residence and place of work. Look for signs of change. Are there new buildings in the works, or old ones being torn down? All of this activity will give you insight into what makes for potential profit and what almost guarantees a loss. Learn to be curious, and learn whom you need to contact to satisfy that curiosity.

Each chapter builds your knowledge with terms and concepts, and offers examples, tips, techniques, and steps to maximize your desired goals. No single chapter is so long that it can't be read in one sitting. But don't worry if you cannot get through it all at once. This book is designed for your success, whoever you are.

