

Lindsay's

# SEVEN SIMPLE SECRETS

TO INVESTING IN  
US REAL ESTATE



SEVEN (7) SIMPLE SECRETS TO INVESTING IN US REAL ESTATE

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# INTRODUCTION

Thank you for downloading the  
“Seven Simple Secrets To  
Investing in US Real Estate.”

United States is the top investment destination. When things are not looking good for the Australian Dollar (AUD) vs the US Dollar (USD), this is great news for Aussies who invest in US Property. Why? Because owning USD denominated assets is a hedge against a falling AUD.

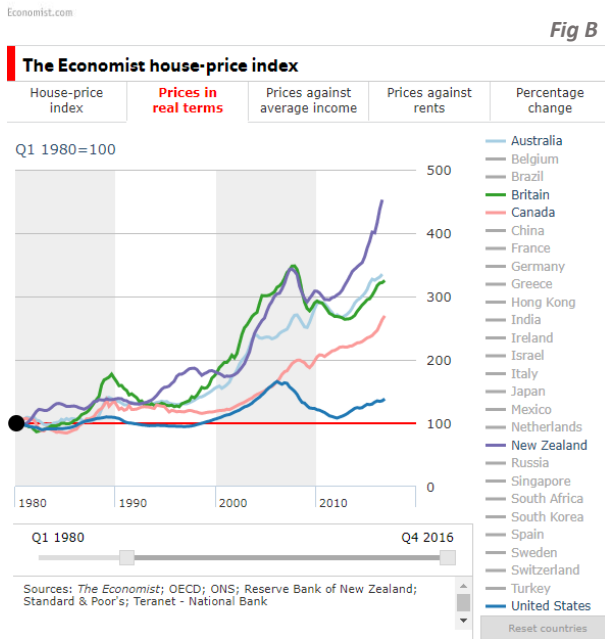
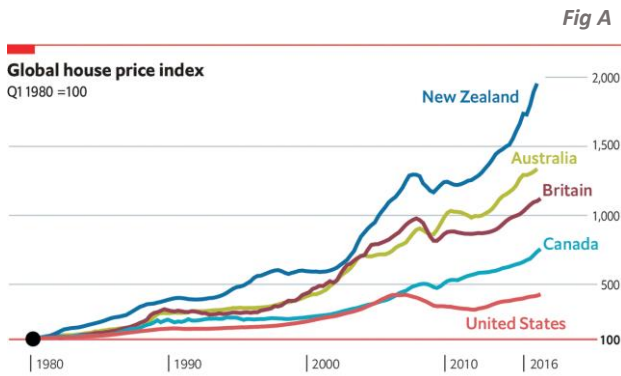
## **REAL ESTATE IS AN EXCELLENT WAY TO DIVERSIFY YOUR PORTFOLIO.**

*One of the major tenets of investing is diversification. With diversification, the investor can increase returns while smoothing out and reducing risk.*

There is a way to invest in real estate and benefit from the cash flow which comes from renting out that real estate without the aggravation of managing tenants and fixing broken pipes in the middle of the night.

As with any investment, stocks, bonds and buying and selling apartment buildings, there is a risk that the value of your investment will go up and down. That said, over time, real estate values have appreciated. That means, as a long-term real estate investor, you are likely to increase your returns by putting part of your cash in real estate investments.

# WHY US REAL ESTATE OVER AUSTRALIAN REAL ESTATE



**Firstly, I would like to say that there is absolutely nothing wrong with Australian Real Estate. Our market here is, for the most part, booming (maybe Perth and some WA or QLD mining towns would disagree).**

We have had an extremely consistently rising market for the best part of thirty years. The Economist Magazine has a great interactive tool on their website that compares housing data from some different countries and graphs it out. Take a look at the House Pricing Index from 1980 through until 2018. (Fig A)

Australia is going great guns on the charts. Does that mean we are overpriced?

**Well if you listen to the majority of the media, they would say yes, but I'm not so sure. Take another look at the same chart from 1980 using the housing prices in "real terms" i.e. taking into account inflation in each country. (Fig B)**

Now you can see there is a three-way race to the top between us (Australia), Britain and New Zealand. Also, importantly, take a look at the line for the United States. Clearly has been a "bust" market compared to Australia's "boom" market but is now just starting to pick itself up and dust itself off.

So even based on this data, "Why US Real Estate?" I hear you ask. Great question! The market conditions in Australia makes it more difficult for investors, particularly first-time investors, to get involved. Investors in AU would need around 20% down and with mortgage rates at an all-time low, it makes sense.

But on your average 2 bed unit in Melbourne, Sydney or even Brisbane hitting \$450,000 + this is still over \$100k deposit plus stamp duties and costs. If you have existing properties with real equity (thanks to AU's booming market!) that's great, but even with our low rates, refinancing existing loans and finance on the investment, it means that the Return on Investment (ROI) is microscopic. If the market continues to boom in Australia, then the increased capital growth can make up for the reduced cash flow from rental returns and everyone is still happy. But what if that doesn't continue? What if the market starts to plateau or (heaven forbid) decline? It puts pressure on the returns for your investment, and can even exert pressure on your capital you borrowed against for the deposit.

## THE US MARKET

US market is an entirely different beast. From the data in the Economist, the growth is starting to turn around but still sluggish. The advantage of these conditions, though, is that housing prices are extremely affordable compared to Australia.

**Three (3) bedroom, single family residences can be purchased in excellent condition with tenants, from as little as US\$50,000. It is less than the deposit on the Australian investment, and you own this outright, no interest on any loans.**

Rental returns are still active so the net return on these properties are well over 10% per annum and can be as high as 15%+. It makes it an incredibly attractive option for investors, small upfront cost, and high returns. If the market doesn't grow, or even declines, you still own the goose, and it is still laying that golden egg each month for you. With housing prices rising but wages stagnant, 2017 is likely to be a year of worsening affordability for homebuyers in the US, especially low- and middle-income earners, according to Zillow, a real estate data tracking company. That's bad news for many people hoping to buy a home for the first time.

But for investors looking to put their money into rental properties, these economic conditions point to continued strength in that market.

Access to lending and mortgages is more difficult now too since the Global Financial Crisis triggered by the collapse of the subprime lenders.

Many banks in the US also collapsed during this period so criteria now for access this system is considerably more stringent and for many people, it can take years to get sufficient credit rating back to access mortgages.

**As the supply of land in the US is abundant, there is not such an increase in all the central states or mid-west of the US.**



## EAST AND WEST COAST SUPPLY AND DEMAND

East Coast and West Coast can see similar "Supply vs. Demand" constraints we see here in Australia but in the mid-west states housing values are more tightly hinged on the wage growth rather than the "supply vs. demand" paradigm.

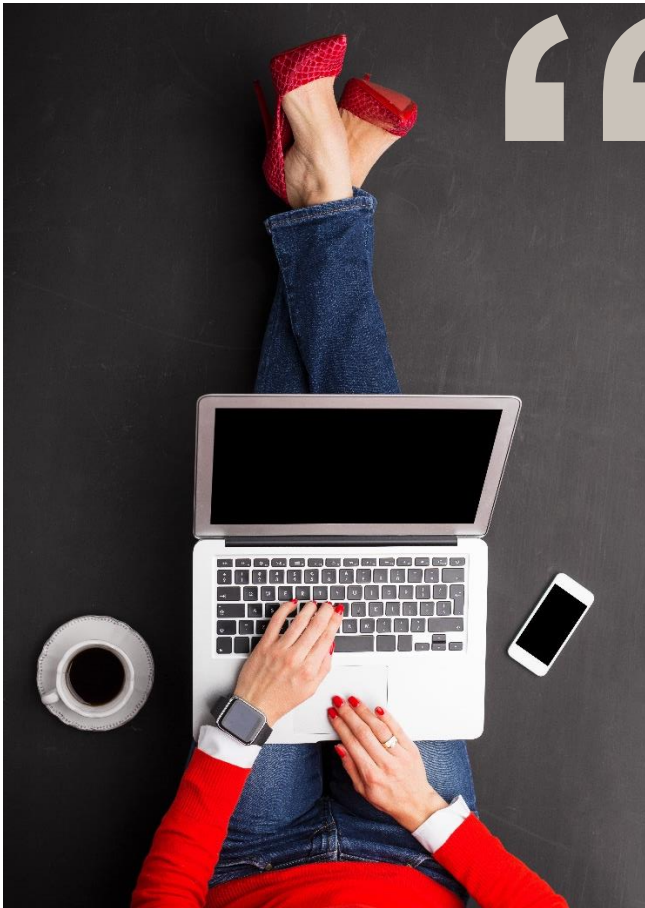
For us (AUSSIES) as Global Investors, though, this is all Good News!

With our massive growth levels in Australia, particularly in the east coast capitals, current property investors realize outstanding equity in their investments. It can allow investors to reinvest this capital and double-digit cash flows are common in some markets in the US and deals like these are hard to ignore.

If you are not currently an investor in Australia, don't despair. Cheap house pricing in a significant number of US markets make it much easier to get involved, and high cash flows can supplement incomes and be used to re-invest again.



# WHERE SHOULD YOU INVEST?



**The US is a melting pot of different markets. East Coast cities (New York, Miami, Boston, etc.) and West Coast cities (Los Angeles, San Francisco, Seattle, etc.) can show similar growth and prices to that of Sydney or Melbourne.**

It can take significant amounts of equity or investment to get involved in these markets and returns can be low on a cash flow basis. Growth though can be stronger than mid-west states, although not to the double-digit levels we see here in Australia. Countrywide though it is a different story entirely. Although the size of the United States in a whole is similar to that of the continent of Australia, the US has over 10 times our population, and this is spread over their entire country, as opposed to the vast majority of our population squeezed into but a fraction of our land.

## THE AREA WITH GOOD DEALS

There are deals in all these areas, as there are in Sydney, Melbourne, etc., but at a different pricing bracket and returns. The mid-west states have some foreign markets in some large cities. Great cash flow returns, small initial investments and can even still profit from market growth or manufacturing growth (through renovation/ rehab/ redevelopments, etc). This year Forbes ([www.forbes.com](http://www.forbes.com)) favored cities with the strongest employment growth in compiling their ranking of best Real Estate Investment cities. Normally local economic health is the basis for housing supply and demand, says Ingo Winzer, founder, and president of Local Market Monitor, but the financial crash and foreclosure crisis upended the usual patterns.

One of the key areas of focus for us (Australia), is Detroit, it currently represents one of the strongest housing markets for foreign investors. The enormous potential for growth, high domestic rental market, and affordability of accommodation all combine to make Detroit an ideal 'buy to let' opportunity. Elevated levels of investment by government and flourishing local industry are all helping to ensure a bright future for the region. Other areas such as Florida, upstate New York, Ohio, Tennessee and even Texas and Alaska, all good well on the rankings.

What to look for are areas where there is higher population growth than the national average (2.3% for the USA) and increased employment growth. Michigan is showing some of the greatest gains in both areas, Florida similar. Now that the economy has recovered, "We're in a period where economic growth has taken over again," Winzer said. Winzer went on to say "Both our No.1 metro area, Grand Rapids, Michigan, and Tampa, Florida. (No. 14), boast a healthy 3.1% three-year population growth rate, according to the latest Census data, indicating that people are moving there at a higher rate than the national average.



## THE DIVERSE ECONOMY OF MICHIGAN

**Michigan boasts a diverse economy: In addition to its historical roots in furniture-making (these days for Steelcase, Haworth, and Herman Miller), Grand Rapids has a “Medical Mile” of medical suppliers, as well firms specializing in aerospace and advanced manufacturing.**

**JUST WEST OF DETROIT, GREATER GRAND RAPIDS IS ALSO A MAJOR SUPPLIER TO THE AUTO INDUSTRY.**

As we came out of the last recession Grand Rapids was propelled by the manufacturing side,” says Paul Iseley, an economics professor at the Seidman College of Business at Grand Valley State University. “Now what we’re seeing is the second edge of that, moving into services.”

In Detroit, itself, with the resurgence of the auto market and the “Big 3” (Ford, Chrysler & GM), regions of Detroit are up over 2% growth compared to approximately 1.5% national average. With Downtown Detroit also seeing a surprising resurgence, this is one particular US city that we are finding incredibly exciting opportunities. Growth aside, one of the most exciting opportunities in the Detroit area is the demand for rental accommodation is growing quickly with new job growth coming back and a reinvigorated “downtown” Detroit.

**With housing costs, very little this gives great cash flowing opportunities, the likes of which we would never see here in Australia.**



# WHAT TYPE OF PROPERTIES DO YOU NEED TO LOOK FOR?

There are some options for residential real estate in the US, and this is a question and will differ from investor to investor. Best would be to look at your current situation and see what is best, appreciation vs cash flow; hands on vs. hands off, etc. Here at Star Dynamic we are more than happy to help you with this and recommend a strategy that would suit your goals. Below are some of the popular choices for property types:

1

## Single Family Residences (SFR's).

Single Family Residences (SFR's) are popular with investors - 2, 3 or 4 bedroom properties with generally 1 tenant. These properties can be easy to obtain and often the easiest to manage. Cash flow is a little less compared to the other options below but as you will see in point 6. The returns are still excellent. With the use of a Property Manager to handle the rental, this is the most attractive option for most investors particularly if investing out of town or state or country.

2

## Multi-Family Residences (MFR's).

Multi-Family Residences (MFR's) can add additional cash flow, placing two or more tenants in one property. In Australia, it can often be achieved with the addition of a "Granny Flat" on a property, etc. which can often be leased out separately or by subdivision. In the US, it might be an upstairs or downstairs arrangement with one unit upstairs and one downstairs, or possibly a property with two or more separate entries. Returns can be higher overall than SFR's but can add some complexity dealing with two or more tenants in the property. Can add additional workload on repairs and or property management but the increased returns can outweigh the costs.

3

## Unit Blocks.

Unit Blocks are blocks of units often 4 or more. It can again add more complexity, now managing 4 or more apartments and multiple tenants. Returns, though, can be significantly increased and can be very useful options although can also have higher purchase costs. Again, as with the MFR's, repairs need to be costed in, and occasionally property management fees can be a little higher, but the returns more than makeup for the difference.

4

## Renovations or Fix & Flip Properties.

Renovations Or Fix & Flip Properties are properties requiring some work or distressed properties needed to bring up to rental or retail level. It is by far the most sophisticated option, and requires quite a lot of hands-on assistance particularly overseas but is still definitely feasible. The biggest advantage of this model is properties can often be purchased very cheaply and with labor rates much lower in the US than Australia, renovations (rehab) can be quite cheap. It can mean that if you wish to keep the property and rent it out for return, the return on Investment (ROI) can be much higher. If on the other hand, you wish to sell (or flip!) the property, returns can be excellent, and profit is realized immediately upon settlement of sale. If this is a strategy that you are most interested in, Star Dynamic have teams of people able to assist in all areas.

Give us a call, and we can discuss options based on your level of experience & involvement.

Click here to book your [Free Property Strategy Consultation](#) NOW!

# MARKET CHOICES AND DECISIONS

*"Ok, that is all fantastic Lindsay, but how do I pick a market or property?"*

Yep, again, great question. Here's where we fit in. The US offers a huge amount of choice when it comes to property investment, but for affordability and returns, it is very hard to beat the mid-west. There are several options to acquire properties in the US with attractive prices and returns. The most common were those properties in the region of \$50,000 - \$100,000 (US) with NET returns around 12-15% +.

**With the price of the housing subdued due to weak wage growth, but rental costs based more on demand (and demand on the rise due to job growth) the return on the investment can be excellent.**

Similar performances can be found all across the mid-west of US. Capital growth on these properties is also subdued but with such high rental returns it gives Australians an excellent option to diversify the portfolio and foreign passive income. We focus predominately in areas such as Michigan, Florida, upstate New York and can even look at areas of Ohio & Tennessee.

## **The Exchange Rate:**

Another aspect of the market to consider is the exchange rates. With the interest rates in the US relatively steady and still possibility of another reduction in Australia, this would further strengthen the US dollar meaning that a \$5,000 per annum return could be as much as \$7500 or more AUD.

If the returns are bolstered by capital growth and favorable exchange rates, all the better, but we do not count this into our strategies. We would love to book a strategy session with you and discuss your investment goals, review equity versus cash flow and see what market and property types suit your outcomes.

**It is entirely complimentary and obligation free. Hopefully, if we can help give you some clarity on what types of properties you could look for and areas to look, we can help alleviate some the fears about investing in overseas markets. Ok, let's move on to helping you with your due diligence in your chosen markets & properties.**

## HOW DO YOU ASSESS PROPERTY VALUES OR RENTAL VALUES?

To estimate the values of the properties, comparable data is still one of the best methods, both here in Australia and the United States. Taking into account recent sales on the particular property, recent sales for similar sized and condition properties in the area and market growth is significant. I would strongly recommend finding at least 4 - 6 very close comparable homes sales to then assess the value of the property your purchasing. Look particularly for homes with the same number of bedrooms, bathrooms, etc., same size garages and parking spaces.

In the US, particularly it is also good to compare the age of home (when built) and whether the property has a basement or not. It can be a real hot-button for Americans, particularly in the colder areas. Properties without basements can sell for thousands less than those that do, even if unfinished (i.e. no ceiling or plaster walls or floor coverings).

## DETERMINING AN AVERAGE PRICE FOR US PROPERTIES

**For US properties, we are then able to determine an “average price per square foot” then we can then use to determine a reasonable comparable value for the property being assessed.**

A number of the websites have “estimated” values (Zillow, Trulia, etc.) but I would be careful using this as the only method of assessing value. Median house prices and average house prices for the area can be interesting data, but do not take into account size of property, condition of goods, etc. Combined with comparable data though this can then start to build a beautiful picture.

As for rental returns, there are also some simple methods of assessing values. Comparable (yes again!) can be the best, but there are also some websites that can do a lot of this for you. Rentometer.com is one such site that gives comparable assessments based on the area the rental is in. Other property sites (Zillow, Trulia, etc.) often use similar methods to show what the average rental return would be. Often there can be ways to increase this value but ensuring the property is in excellent condition or adding “nice-to-have” options like spa’s or outdoor areas in the warmer climates, but must also be careful not to capitalize over on these which can be a real danger.





*Ok now, this is what it's all about! "How Much Can I Earn?" I hear you cry.*

The returns can be dependent on the strategy or type of property you wish to select. The more sophisticated strategies can give better returns, but this is no hard and fast rule! Each deal must be assessed on its merits. If you have skipped down to this section 6. before reading the other sections (particularly 4 & 5) because this talks about moolah/cash/dollars I strongly suggest you go back and read through these.

For a rental or Buy & Hold property, I look for a minimum of 10% Return on Investment (ROI). Yes, this is a 10% POSTIVE return on the investment, unlike the negative gearing options we are pushed towards here in Australia. Although I am not here to bash up on negative gearing strategies (I do, though, actively dislike it) it only is useful in some circumstances and only in high capital growth markets and even then well anyway don't get me started! For the US, based rentals if there is not a minimum 10% return we would not consider it.

Returns can be as high as 20% and can regularly be 12-15% which can be excellent cash flow and even given net returns (cash return after expenses) of around 10%.

**For MFR's (remember the Multi-Family Residences) and unit blocks, returns can be around the 15%+ and often 20% but the complexity of the deals can be more and the cash needed to purchase is often higher.**

For these strategies, following a secure deposit and offer process, a full property inspection, settlement and placing of pre-screened, reliable tenants, the entire process takes up to 60 days from start to finish. If rehabs or renovations are more your liking, again I would look for a minimum of 20% ROI on the deal, and this would include what I call a "fudge" factor to ensure there is some extra there in case costs blow out (and we all know they can!).

**A rehab ready to rent or flip could take anywhere from 60 days to 6 months depending on the level of works needed but to do 2-3 per year is not unrealistic. Returns on this type of strategy can vary widely, though.**

THE  
RETURNS –  
HIGH  
POSITIVE  
CASH FLOW

## WHERE TO FROM HERE?

Want help designing and implementing a strategy?

Give us a call! Simple as that. If anything, here sparks your interest, why not drop us a line or call us and let us just chat and see if there is something we can do to help.



## The Role of a Personal Coach for US Property Investing

Our goal is to be that "Personal Coach" for all your US Property investment needs. We can help you determine what you are looking for, teach you the strategies that WORK in the market, and guide you through the processes to implement.

Star Dynamic is comprised of seasoned experienced investors who understand your goals as an Investor.

We can help coach, train and support you in any area of the US you need.

As a result, you can capitalize on the experience we have and ensure all your investments are in great neighbourhoods, renovated to high standards, and occupied by pre-screened, reliable tenants.

- Looking for safe, high return investments but not sure where to start?
- Want to know how to increase your cash flow to improve YOUR lifestyle?
- What is the easiest way to improve your cash flow that hardly anyone ever thinks of?
- Did you know you can purchase a property in the US for the same as a deposit required for a house in Australia?

Click here to book a [\*\*Free Property Strategy Consultation\*\*](#) or head to our website.

# OUR STRATEGY



## HOW DO I GET STARTED TO INVEST?

Whether you're looking to get started in investing and attracted by the high cashflow options in the US; or a seasoned investor wanting to skyrocket your returns, WE CAN HELP!

By following our five (5) step process (STARR) we can help YOU avoid the pitfalls and source solid, affordable, high return properties:

S – Strategy  
T – Team  
A – Acquisition  
R – Renovate/rehab  
R - Realisation

- **Strategy** – the most important first step is to develop a sound investment strategy and stick to it!
- **Team** – building a solid team around you that you can rely on and trust is critical in any global investing
- **Acquisition** – ensuring you find the RIGHT deals
- **Renovate/Rehab** – managing contractors and repairs or renovations on the properties is a key component
- **Realisation** – getting your investment cashflowing is critical, or selling for maximum returns

# BUYING YOUR FIRST US INVESTMENT PROPERTY

## WHAT CAN STAR DYNAMIC DO FOR YOU?

Our Coaching, Training & Support will allow YOU to:

- Access 'off market' wholesale deals that will save you 10-40% of retail prices
- Learn negotiation strategies that will shave thousands of the costs of your deals
- Build your team on the ground to enable you to invest with safety and surety
- Ensure to navigate around the pitfalls and learn what to do if you hit one
- Master selling strategies that the experts use to increase your profits tenfold
- Find ways to generate passive income WITHOUT the need to become a landlord
- Protect your investments and yourself in a highly litigated society
- Renovate your properties efficiently and cost effectively
- Build a profitable, HIGH CASHFLOW portfolio of US Property

And much much more!

**If you want to invest in US Property and don't know where to start, then our mission is helping people just like you secure the best investment properties the US has to offer.**

We make investing in the US SIMPLE! Leverage our skills, experience and a network of US resources to reduce your risk, headaches and maximize your profits today.

I have spent years in the trenches, and hundreds of thousands of dollars finding the right people, strategies and properties, and set up some fantastic programs for you to utilise, saving YOU hundreds of hours and thousands of \$\$\$

From our Investors Inner Circle, to the Fix & Flip Academy; our GLOBAL INVESTORS Coaching program, all the way up to our Platinum Advocate Service – there will be a program to suit YOUR NEEDS.

*"The information and services received from Lindsay at Star Dynamic has been of top quality from the start. The knowledge Lindsay has of the USA market is invaluable. They really are the answer to helping Aussies invest in the USA, highly Recommend Star Dynamic."*

**Donna James**  
*Melbourne, Victoria*

We Invite You To Contact Us To Learn More!

**Our team is standing by!**

admin@stardynamic.net | Phone: 03 9773 4767

www.stardynamic.com.au

Click here to book a [Free Property Strategy Consultation](#) or head to our website.