This Business Plan Template is a template for a new real estate investing company (with 2 to 3 employees) that specializes in rehabbing & house flipping.

Feel free to make your own changes to fit your particular business needs.



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Real Estate Investing Business Plan

**Fiscal Year 2021 - 2022**

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# Executive Summary

## Our Company

Example Company is a real estate investing company based in Kansas City, MO that specializes in buying, rehabilitating and reselling single family residences in our local neighborhoods and communities. Our Company has ambitions to be the leading residential re-development company in our market, with a reputation for providing high-quality housing at affordable prices.

## Our History

Example Company was first established and formed by our Owner & Founder Alex Gordon in 2014. Alex first founded and managed the company as the sole business owner and employee. During the company’s first year Alex handled the daily operations of Acquisitions, Project Management & Accounting.

As property acquisitions grew and the company sustained consistent profitability and cash flow, Alex decided to make strategic hires and build strategic relationships to accelerate company growth. The Company focused on building a team with specialties in property Acquisitions & Sales and Construction. For this reason, our company’s first strategic hires were a Realtor and Construction Project Manager. Our Company has also established strategic relationships with local contractors, inspectors, a real estate attorney & a licensed CPA.

## Our Team

Our small team of professionals has a variety of experiences in the real estate, marketing, finance and construction industries.

* **Alex Gordon**, Owner & Founder

Alex has over 10 years of experience in real estate and construction. Alex spent 6 years as a construction professional for a local commercial contractor before starting to invest part time in real estate. In 2010, Alex purchased his 1st real estate investment property, which he rehabbed and re-sold for a profit. Alex continued to rehab houses part-time for the next 4 years until 2014 when he started Example Company. Alex is currently responsible for managing overall company operations including Acquisitions and Project Management.

* **Lorenzo Cain, Realtor**

Lorenzo has 6 years of experience working as a real estate agent for ReMax Real Estate Company. Lorenzo was responsible for local REO/Foreclosure listings so he has strong relationships with local banks and an understanding of the REO/Foreclosure process. Lorenzo is in charge of property Leads, Marketing & Sales so he handles our Lead Generation and Marketing campaigns to find new property leads and handles all Marketing and Sales of our new listings.

* **Johnny Cueto, Project Manager**

Johnny has over 15 years of experience working as a construction superintendent and project manager on both residential and commercial projects. Johnny is responsible for inspecting properties, creating estimates, and managing our contractors and project schedules.

## Our Business Structure

Example Company is solely owned by Alex Gordon and formally structured as a Limited Liability Company (LLC) in the State of Missouri. Example Company is the corporate entity that manages our corporate operations such as business financials, business administration, and human resources. Example Company also acts as the holding company for each individual property.

## Our Contractors & Vendors

Our Company and Our Team have built strategic partnerships and relationships with local contractors and subcontractors in our community that we know and trust and that share the same business values as our company.

## Our Market

Our Company primarily invests in 3 school districts in the Northland of Kansas City, MO. In these school districts we focus on very specific market segmentations, such as specific communities and neighborhoods. Within these communities and neighborhoods, we focus on single family properties with a minimum of 3 beds, 2 bathrooms, with an approximate resale value of $200,000 to $300,000.

This market segmentation has allowed Our Company to create a specialized focus on the markets we know, the projects we know, and the people we know.

**Northland of Kansas City, MO**



**3**

**2**

**1**

1. Park Hill School District 2. North Kansas City School District 3. Liberty School District

# Our Strategies & Processes

Our business, project team, strategies and processes are broken down into 4 key segments:

1. Leads & Acquisitions
2. Investment Analysis & Due Diligence
3. Construction, Rehabilitation & Management
4. Marketing & Sales

## Our Leads & Acquisitions

We find, source and acquire our investment properties through a wide variety of resources in order to maximize our project leads, opportunities and fill our deal pipeline.

1. **Online Resources**

The Multiple Listing Service is the most widely used and accessible platform to find real property for sale. Unfortunately, this accessibility provides increased competition from other real estate investors as well as common home buyers which increases prices, decreases the profitability and the likelihood of a success. For this reason, we are using alternative resources to find deals online which have proven to be less competitive and more profitable such as FSBO (For Sale By Owner), Craigslist.com, & Local Auction websites.

Our company is also utilizing several other successful acquisition strategies to find ‘off-market’ deals below:

1. **Lead Marketing & Lead Generation**

Our company utilizes several online & ‘offline’ marketing techniques to generate ‘leads’ and find off-market deals:

* **Online Marketing Strategies**

Our online strategies start with our professional company website which is built for capturing leads on potential deals. Our website is SEO optimized to help generate traffic and leads to our site organically, but we also utilize several paid marketing techniques through Facebook & Google Adwords to target traffic for specific keywords and to specific Facebook user segments.

* **‘Offline’ Marketing Strategies**

Our offline marketing strategies are more traditional with ‘bandit’ signs, billboards, & mailers. Our ‘bandit’ signs and billboards are posted in proximity of our local market segments and neighborhoods so we can generate motivated seller leads.

1. **Pre-Foreclosures, Foreclosures & Short Sales**

Pre-Foreclosures, foreclosures & short-sales provide the opportunity to purchase real property from local banks for substantial discounts. Our company and project team have built strong relationships with local banks and real estate agents that can provide off-market pre-foreclosure, foreclosure and short-sale deals.

1. **Market Segmentation**

Our Company focuses on very narrow and specific market segments, specific school districts & neighborhoods. This focus has allowed our company to build relationships with local real estate agents and property owners in those markets and find off-market deals, such as FSBOs, estate sales, and absentee owners.

1. **Wholesalers**

Our Team has built relationships with experienced & trusted local real estate wholesalers who are able to find off-market real estate deals through their own marketing strategies and techniques.

1. **Word of Mouth**

Our Company has established a great reputation with our neighbors, HOAs, and real estate agents in our neighborhoods and local communities. This reputation goes a long way to providing word-of-mouth referrals for property leads and sales.

## Our Investment Analysis & Due Diligence

Once we find a prospective investment opportunity we perform extensive due diligence to determine if the property will meet our specific investment goals & criteria. This due diligence period includes a property inspection, repair estimation, comparable sales analysis, and maximum purchase price analysis.

1. **Property Inspections**

Our Property Acquisition Team including a licensed inspector, project manager & contractor performs a pre-purchase inspection to establish the scope of work that will be required to repair & remodel the property to bring it to a livable, marketable & re-saleable condition.

1. **Repair Cost Estimation**

Our Property Acquisition Team uses the pre-purchase Inspection Report and the detailed Scope of Work to create a detailed repair and remodel estimate for the project. Our Acquisition Team utilizes a Cost Estimation software and database which is pre-built with historical cost data so we can create detailed and accurate estimates for our projects. Local contractor and subcontractor pricing input is utilized to ensure that we are estimating costs at actual market rates. Our repair & remodel estimates generally include a 5 to 15% contingency to cover any unforeseen conditions or issues that could arise on the project. Our estimating process and procedures ensure that we establish realistic and accurate project budget for our projects which minimize risk and protect our project profits.

1. **Comparable Sales Analysis**

Our Property Acquisition Team with the help of a local realtor analyze local comparable sales information to forecast an approximate Resale Value or After Repair Value for the property. Our team analyzes the local comparable sales data of the neighborhood and identifies at least 3 comparable properties that have sold in the last 3 to 6 months that support our established After Repair Value.

1. **Maximum Purchase Price Analysis**

Once our Team has estimated the repair & remodel costs and forecasted a realistic After Repair Value based upon comparable sales, our Team performs a detailed financial analysis of the project numbers and profitability to determine the Maximum Purchase Price we should offer for the property. Beyond the numbers, our analysis considers project risks, project scope of work, project schedule, project profitability, & strategic opportunities in deciding whether or not to make an offer on a property.

**Financial Analysis:**

Maximum Purchase Price = ARV – Fixed Costs – Repair Costs – Repair Contingency – Profit

**Other Considerations:**

Risks

Strategic Ops

Profitability

Schedule

Scope

## Our Construction, Rehabilitation & Management

Once our Property Acquisition Team gets a property under contract, our Project Management Team begins to prepare drawings and Scope of Work documents, solicit contractor bids/proposals and establish the budget for the project.

1. **Drawing/Scope of Work Preparation**

Our Project Management Team creates a detailed Scope of Work and contract documents for our contractors to review and submit proposals. Our Team works with local architects and building departments to ensure that our projects are being designed and built to local building codes. This ensures that our contractors will be bidding work off of the original documents

1. **Contractor Bidding/Budget Establishment**

Our Project Management Team works with a pre-selected group of contractors and subcontractors that we know, trust and have experience with on past projects. Our Team pre-qualifies all of our contractors and subcontractors to ensure that we are working with the most reputable and qualified contractors and subcontractors on our projects. Our Team generally solicits at least 3 proposals from this pre-selected group for every scope of work to ensure that we are receiving the lowest competitive bid for our projects. However, our final contractor selection is never based solely on price.

**Contractor Pre-Qualification:**

Experience

References

Insurance

Financial

Legal

1. **Budget Management**

Once our Project Management Team receives contractor proposals and finalizes the Construction Budget, our Team establishes an overall Project Budget which is used to manage all costs on the project. Our Team then uses our project budget, and spent-to-date to forecast our project underages/overages, which allows Our Team to monitor project profitability during construction.

1. **Project Schedule**

Our Project Management Team establishes a Project Schedule upfront with our hired contractors and subcontractors to ensure all parties know the project milestones and scheduled completion date. Costly delays can erode project profitability, so to ensure our completion date is met we provide incentives for early completions or liquidated damages for delayed project completions.

1. **Quality Control**

Our Project Management Team including our Project Manager & our superintendent is responsible for managing our contractors to ensure that our projects are meeting or exceeding local building codes and ensure that our company standards of quality and craftsmanship are being met on a daily basis.

## Our Marketing & Sales Strategies

Once our Project Management Team nears completion of the construction and rehabilitation of the property, our Marketing & Sales Team begin marketing the property through several online & ‘offline’ marketing channels:

* **Online Marketing Strategies**
1. **Company Website**

All of our property listings including new listings, pending & sold listings are displayed on our own company website.

1. **Multiple Listing Service**

As mentioned previously, the MLS is the most widely used & accessible platform online for realtors and prospective homebuyers to search and find homes for sale. To gain the most exposure, all of our listings are posted to the MLS with our local realtor/broker office.

1. **Facebook**

Our Marketing & Sales Team continues to build our audience on Facebook which allows us to market our listing to our Facebook ‘fans’. All of our listing are posted directly to our Facebook page which is then displayed on our ‘fans’ News Feed, which is then liked and shared which provides a viral impact in our local community. Our team also utilizes Facebook Advertising and display ads to target our listings to local prospective homebuyers.

* **‘Offline’ Marketing Strategies**
1. **Project Signage**

During the construction & rehabilitation process we post project signage that advertises our property will be ‘coming soon’, which helps create buzz around the neighborhood weeks in advance of the actual listing date.

1. **Traditional For Sale Signs**

Traditional For Sale Signs posted around the neighborhood inform neighborhoods and passers-thru that there is a newly remodeled home for sale or ‘open house’.

1. **Open Houses**

Our realtor hosts an open house to kick-off the property listing and generate buzz around the local neighborhood and interested buyers.

1. **Word of Mouth**

Our reputation as being a professional services company that provides high-quality and craftsmanship at affordable prices provides word of mouth referrals from neighbors, friends and family and local realtors.

## Our Competition & Competitive Advantages

The current market climate bodes well for sellers of real estate due to the current shortage of inventory and increasing resale values. Our Team knows that this current climate is not sustainable and that we must stick to our values of providing quality craftsmanship at affordable prices to continue to beat our competition and maintain a reputation in our local community. Our Company values as well as the following competitive advantages set Our Team and our homes apart from our competition.

* **Highest Quality Craftsmanship**

Our Team and our group of professional contractors strive to create high quality remodel projects that exceed local building codes and homebuyer expectations. Our Team surveys the local market to establish the level of finishes and amenities being provided by our competitors. We then use our competitor’s finishes as the baseline model and build our projects with materials, craftsmanship and quality that exceeds their baseline model.

* **Affordable Pricing**

Our Team also surveys our competitors’ market pricing to establish a baseline price for the property. To ensure that we are providing the best value proposition for our buyers we try to meet or undercut our competitors pricing to ensure we are providing the best homes at the best values.

* **Move-In Ready Homes**

Many prospective homebuyers are looking for a newly remodeled, move-in ready home in an established neighborhood with charm and character, close to local amenities and the downtown central business district. Many of the ‘New Construction’ builds that we compete against are sprawled away from local amenities and the downtown urban core. Our Team provides the unique proposition for our buyers to purchase newly remodeled properties in desirable areas at a more affordable price.

## Our Exit Strategies

Our Company mainly specializes in buying distressed property at a discount, rehabilitating the property and re-selling the property to a new homeowner. In the current real estate market Our Company needs to be prepared, creative and versatile enough to turn market risks into opportunities by employing alternative exit strategies:

1. **Buy, Rehab & Resell (‘Flip’)**

Our first and foremost exit strategy that we employ is a traditional ‘flip’ strategy in which we buy a distressed property at a discount, rehabilitate the property, and resell the property to a new homeowner for a profit.

Buy

Rehab

Resell

1. **Buy, Rehab, Rent & Refinance (BRRR)**

In a challenging marketplace or in the rare occasion that we cannot re-sell our property we employ a hybrid investment strategy that involves renting the property to a tenant and then re-financing the property with a long-term loan. This strategy allows us to cash-out the equity in the property and reinvest the proceeds in future opportunities. The property will also generate cash flow and equity accrual benefits until the market corrects and provides a more opportunistic time to sell.

Buy

Rehab

Rent

Refinance

1. **Wholesale**

When the opportunity presents itself, Real Estate ‘Wholesaling’ can be another exit strategy that can generate quick profit opportunities by re-assigning or reselling the rights in a property to another buyer or investor for a profit without doing any repairs.

# Our Goals

## Our Company Goals & Objectives

Our Current projects goals for the 2021 – 2022 Fiscal year are as follows:

* **Current Project and Financial Portfolio**

Our Company plans to buy, rehabilitate and resell a minimum of 4 properties during this fiscal year.

Our Company currently focuses on a market segment with After Repair Values of $200,000 to $300,000 with a target of 15% project margin as a % of ARV. Based upon project goals & projections, we forecast $1,000,000 in sales, with $150,500 in Net Income.

**4 Projects | $1MM in Sales | $150,000 in Net Income**

To grow our revenue base and profits year-over-year, we will focus on leveraging 3 key areas of our business:

Profit Margins

Revenue/ Deal

# of Deals

1. **# of Deals**

Through our Lead Generation and Marketing Strategies our deal pipeline will support steady deal and project growth. In this year alone, Our Lead Generation and Marketing has generated more leads and opportunities than our company could finance, operate & support. As Our Team and financial capabilities grow we will be able support additional deals in the future.

1. **Revenue per Deal**

As Our Team’s experience and financial capabilities grow, we will also be able to support higher-end properties with higher After Repair Values which will increase our revenue per deal and increase our project profitability.

1. **Increase Profit Margins**

To Increase Profit Margins, our Property Acquisition Team will focus on finding and closing ‘off-market’ deals that have less market competition and higher profit margin opportunities. Once Our Acquisition Team gets a property under contract, Our Project Management Team will focus on compressing our project schedules and projects expenses to expand our project profitability.

* **Future Project & Financial Goals**

Our Team has established 5-year goals for our project backlog and our financial growth. By leveraging the 3 key areas of our business we believe we can grow our # of deals, revenues & profit margins over the next 5 years as highlighted in the charts below:

## Keys to Success and Meeting Our Goals

To meet our Company Goals & Objectives over the next 5 years, Our Team will have to execute our business strategies & processes.

* **Our Project Team/Strategic Hires**

Our Project Team and our future strategic hires will be the life blood of our company’s progress and our future. As a Company we will need to provide growth and opportunities for our associates in order to allow them and our company to grow. As our company grows we will need to consider strategic hires that will fit with our company culture and share our company values.

* **Strategic Partnerships/Relationships**

Our Company has built strategic relationships and partnerships with local contractors, realtors & professionals, but we need to continue to grow our network of connections to grow our brand in the community.

* **Business Systems**

Our Company will need to build or strategically acquire business systems that will help Our Team be more productive and more efficient which will ultimately support our ability to take on more projects and increase revenues and profitability.

* **Our Core Values**

Ultimately, in order to succeed Our Company will need to stand by it’s key core values and fundamentals of providing high quality properties for affordable pricing.

# Appendix

## Miscellaneous Documents

In order to back up the statements made in your business plan, you may need to include any of the following documents in your appendix:

* Personal Resumes
* Project Portfolio/Project Photos
* Personal Financial Statements
* Personal and Business Tax Returns
* Credit Reports, (Business and Personal)
* Business Filing Documentation
* Reference Letters
* Miscellaneous Other Relevant Documents