Free Special Report #1

"The Concept"

Adding a Duplex or More to a Single-Family Home

Why this is a Win-Win Situation

The concept I built my business on has been practiced for years mainly by homeowners who decide to make some extra money by adding rental units onto their houses. Many people live in the house and rent out the other units. This can make your mortgage very small or no payment at all or even in some cases, no payment plus a positive cash flow.

Everyone has their own definition of financial security and their own ideas of how to achieve it, yet large majorities of people share in the same desire: to establish their own business. The concepts and methods in this book are based on this commonality: people want a vehicle they can use with surprising ease, that requires little or no cash flow, and that utilizes a sense of creativeness.

For years I have been studying the traits of successful entrepreneurs, salesmen, athletes, and builders. From them, I have learned to develop winning habits. ***I have learned that there is one very important component, which is consistent with all successful people: their drive.*** You may call it perseverance or desire. Either way, it creates success. Find something you enjoy that has potential and do it over and over and over again. ***That creates success!***

My first project was a duplex I built behind an existing house without the use of my own money. I did this part time while I was running a small framing business; I explain how I did this in the free report #2. When I made $68,000 on this project in five months, I decided to devote myself to this business, which eventually turned into a multi-million dollar career. **Note:** *Builders build for profit, when we build we have instant equity, but you do not have to be a builder to do this!!!*

This book will show you how to create a successful business by adding units to existing houses, whether it be one project a year or multiple projects a year.

Understanding The Concept

Let's start with a purchase price of $150,000 on a single-family house where you can add four units. For the $150,000, you have basically bought a lot that you can build a total of five apartment units, but this lot has a three bedroom, one bathhouse on it and is approximately 1,050 square feet. Assume your building cost is $60 per square foot to build and your average size unit is 800 square feet— each unit to be a two bedroom two bath.

Follow Closely:

In the first example, we tore down the house and started with just a lot. You know you can build five units and you have an average unit size of 800 square feet, so multiply them together.

800	Square feet per unit
x 5	Number of units
4,000	Square feet

With a total of 4000 square feet, you can find what our total building cost will be. Multiply your per square foot building cost to your total square feet.

4,000	Total square feet
x 60	Per square foot building cost
$240,000	Total building cost

Add this to your purchase price, and you come up with the approximate cost of your project.

$240,000	Total building cost
+$150,000	Purchase price
$390,000	Total cost of project

Knowing that you can get $800 rent for each unit, you will be able to get the approximate value of the building when it is complete.
Let's take the $800 and multiply it by five units.

$800	Rent per unit
x 5	Number of units
$4,000	Monthly income

Take the $4,000 and multiply this by 12 months.

$4,000	Monthly income
x 12	Months
$48,000	Annual income

Take the $48,000 and multiply it by the multiple gross factor that is used in your area (you will learn what a multiple gross factor is and how to use it later).

$48,000	Annual income
x 9.0	Multiple gross factor
$432,000	Building value

Take the building value and subtract the total cost to build the project and you will get your projected profit.

$432,000	Building value
-$390,000	Cost of Project
$42,000	Total profit

Not a bad salary for three to four months of part-time work, but you just left another $50,000 on the table.

Here is why:

Take the exact same number used:

$60	Per square foot building cost
800	Square feet average unit size
5	Units total
$150,000	Purchase price

This time you will add four units to the existing house. Take the average size and multiply it by the number of units being added.

800	Square foot of each unit
x 4	Number of units
3,200	Total square feet to build

Take the total square feet and multiply it by the building cost per foot.

3,200	Total square feet
x $60	Cost to build per foot
$192,000	Total building cost

Add this to your purchase price.

$192,000	Total building cost
+$150,000	Purchase price
$342,000	Subtotal of costs into project

You will need to add, on average, $10,000 onto this for remodeling the existing house for a total cost of $352,000.

Now, I know what you are thinking. You have a building worth of $432,000 and you will subtract from it the total cost of building, which would make a total profit of $80,000. ***Wrong!*** You are leaving more money on the table. You forgot to take the existing house into consideration. Remember the house is a three bedroom, and, more than likely, you can get $100 more per month for rent.

$3,200	four, two-bedroom units
+$900	one, three-bedroom house
$4,100	Total rent

The key here is the house. You will always get more rent for it, so take your total rents and multiply the total by 12 months to get your new totals.

$4,100	Rent per month
x 12	Months
$49,200	Annual rents

Take the annual rents and multiply it by the multiple gross factor used.

$49,200	Annual rents
x 9.0	Multiple gross factor
$442,800	New building value

Now, subtract the total cost from the new building value to get your new profit.

$442,800	Building value
- $352,000	Cost to build
$90,800	Total profit

Wow! Now that is exciting! But there is still the house that you did not tear down. Who gets that money that was saved? You do, of course!

$ 90,800	Subtotal profit
+ $5,000	Approximate demo costs saved
$ 95,800	Total profit

This is what I call a good profit after four months of working.

Another method to increase cash flow is to rent out the house during construction at a discount of a few hundred dollars of what it would normally rent for. It is nice to get paid from a tenant that is your own built-in security guard, and the tenant appreciates the discount. By building this way, the risks are minimal, and your bank and investors will always have a sense of security. If you are doing this for yourself then your option would be to live in the house and act as your own security guard and you will have hands on supervision. Right now with interest rates at lows that we have not seen for years, you can really benefit by living in the house and renting out the units. Based on the project described above, you saw the amount of equity but, if you were living in the house, you would have a small positive cash flow and no mortgage payment. We know the house would rent out for $900.00, which would leave $3,200.00 in rent able income. Your new mortgage would be $ 342,000 (total cost to complete project) and your monthly payment based on 6 percent owner occupancy would be approximately $ 2,050.00.

$ 3,200 monthly rental income
- $ 2,050 mortgage payment
- $ 800 25 % expense factor (insurance, taxes, ect.)
$ 350 POSITIVE CASH FLOW per month with no mortgage payment coming out of your pocket.

This is an overview of what I have been doing and what I teach in my book. By reading this outline first, it should help in understanding the concept I am trying to teach. What I will show you throughout the book is how to take part of your total profit and restructure it into cash flow for yourself without having to sell the building first. This will allow you to create a business if you choose.