REIN™ Presents

THE CASH FLOW ZONE™

Discovering If The Property Has Positive Cash Flow Potential

For Members of the

Real Estate Investment Network™

www.reincanada.com

The Cash Flow Zone™ Quick Analysis Tool

Will It Cash Flow And Be A Good Buy & Hold Property – Yes or No?

There are two key resources you will be using as you invest in real estate: time and money. Of the two, only money is a renewable resource and throughout the **ACRE™ System** you will discover how to continually renew what you invest.

Time, on the other hand, is not renewable. Once time is spent, it is gone forever. That's why, throughout the **ACRE System™**, you will discover time saving strategies right along side the investment strategies.

Time is the most valuable commodity you have, therefore the more you focus your time and use it only on properties that have potential, the more successful you'll become. That's the bottom line.

We developed the **Cash Flow Zone™** as a way in which to quickly cut through the thousands of properties for sale and narrow it down to the few with the most potential of creating positive cash flow. In 2007 it was updated to provide options to real estate investors – allowing them to focus on the cash flow zones.

The **Cash Flow Zone's**™ exercise is one of the first steps in your property analysis (don't invest based solely on this one filter as it is the coarsest filter.) You can choose to use it to discard the majority of properties that will come across your desk. Why? Simply, because MOST pieces of real estate do NOT make good long-term hold, positive cash flow investments.

This quick analysis tool will help you focus on making good properties work, rather than trying to make poor properties fit your system. Never invest based solely on the Cash Flow Zone™ – it is just a rule of thumb to help you decide if the property is worth doing due diligence on it or not. It is NOT applicable to properties with 4 or more suites in them.

The Key Questions:

Time will be saved by not looking at properties that have zero chance of being a strong buy and hold property and at the same time it will save you time when realtors or vendors contact you with a potential property. Most vendors and realtors love to talk about the emotional or physical attributes of a property. What you will quickly discover is that there's NO use spending time discussing the specific details of the property (color, kitchen, roof, yard size, etc) if it isn't in the **Cash Flow Zone™.**

So, when you are speaking with the vendor or realtor, you can quickly get down to brass tacks by stopping the conversation and asking these key questions:

1. **What is the address (location) of the property?**
   You are trying to ensure that it is in an area that fits your Goldmine Profile.
2. **What is the asking price?**
   You may wish to ask a realtor what price they think you could get it for.
3. **What is it currently rented for?**
   (or if not rented, what would it rent for? – you may need to do additional homework to ensure the accuracy of this)

The Cash Flow Zone™ Formula:

The Cash Flow Zone™ formula is a rough calculation designed to tell you if the property has potential of having positive cash flow, when all revenues and all expenses are included. This is just a rule of thumb, if a property fits the formula you **MUST NOT BUY IT** without continuing on the analysis steps of the REIN Due Diligence System. NOT all properties that fit in the **Cash Flow Zone™** will end up being good investments while at the same time some that don't quite fit may prove to be good investments!

Armed with the answers to the 3 key questions listed above, analyze the numbers to determine in to which **Cash Flow Zone™** the property fits. If it is in Zone 1, the probability is that it will be a waste of your time, if it is in Zone 2 or 3, it has a very high likelihood of being positive cash flow and warrants more of your time. Remember to count ALL potential revenues from the property, including rents from all suites, the garage and any additional revenues you can generate.

(Total Annual Revenues divided by total price) x 100 = ________%

If the above number is **8% or more**, it has made it into the **Cash Flow Zone™** and you can consider it a potential revenue producing property, worth spending time on. Your next step is to continue with the due diligence program to ensure it does fit the system.

Examples:

#1 The property is selling for $185,000

Main Suite Rent: $995

Basement Suite Rent: $595

Garage Rent: $0

Total Monthly Revenues: $1,590 x 12 months = $19,080

÷ Total Price $185,000 = .103

x 100 = 10.3%

#2 The property is selling for ________________________

Main Suite Rent: ________________________

Basement Suite Rent: ________________________

Garage Rent: ________________________

Total Monthly Revenues: ___________ x 12 months = $________________

÷ Total Price _____________________________ = _________________

x 100 = _______________%

"Is It Worth Spending More Time On?"

How To Use The 10% Solution To Maximize Your Results & Minimize Wasted Time