

A good investment

Want to determine which property holds the most money-making potential? Or when is the opportune time to buy or sell? Real estate investment analysis

software can be your crystal ball to taking some of the guesswork out of evaluating properties.

Jay Davis, a commercial real estate adviser with Atlanta Commercial Real Estate Services Inc., unlocks some of those investing unknowns with Landlord Cash Flow Analyzer software, one program in a diverse catalog of real estate investment analysis applications. The \$80 software functions as an add-on to Microsoft Corp.'s Excel spreadsheet software.

"Most of our clients are buyers or investors trying to determine how profitable a particular property will be, or which of several properties represents their best investment," says Davis, who focuses mostly on multifamily dwellings and office and warehouse "flex space" valued between \$1 million and \$3 million. "With the software, it's easy to do those comparisons, and provide a realistic projection of the income any property will produce."

Such software is becoming an essential tool of real estate investing, whether planning your own portfolio or advising clients on their next move. You simply input financial data and then turn it over to the application to deliver a realistic assessment of the costs and potential payback for any type of real estate, from the modest apartment to a sprawling

complex. The software can be used to test different expense scenarios, identify financial risks, project pre- and post-tax income 10 or 20 years out, and evaluate the value of similar buildings or parcels.

"When buyers see those numbers, they have a better understanding of what a property is really worth and how changes in any of the details can affect their investment," says Christopher Lee at Coldwell Banker Commercial Amato & Associates in Newark, Del. Lee uses the Web-based REI Wise Commercial software, which costs him just under \$300 a year.

Colin Fox, CCIM, president of Colin Fox Associates in Houston, uses Realm Business Solutions' Argus software to demonstrate the income-producing potential of large office buildings and retail centers for his institutional investors and investment trusts worldwide. Fox says the software handles complicated scenarios in lease and probability analyses and helps him establish instant credibility with his clients. And, he says, it was well worth the more than \$4,000 price tag. "We're a small brokerage," Fox says, "but because of all of what this software can do and the other technology we use, we're able to compete with the big boys on a level playing field." **RM**

Buyers who say help finding the right home to purchase is what they want most from real estate agents

2006 NAR Profile of Home Buyers and Sellers

WHICH IS YOUR BEST INVESTMENT?

The biggest challenge of investment analysis software isn't actually using it, but rather trying to choose from the many options available. Here's what you should consider:

YOUR NEEDS. Some programs are better suited for analyzing residential or commercial properties, providing a quick overview of value and earning potential, or giving cost and cash flow projections 10 or more years out. Also, programs that create easily grasped reports and graphs can be as important as the data itself, especially when you can use them to demonstrate your market savvy to win clients or listings.

SKILL SET. Several solutions are Excel add-ons. If you're familiar with Excel, take a look at these first, as you'll be up and running right away. With standalone applications, consider the ease of use and required learning curve.

CLIENTS. Are your customers small-time landlords or institutional investors? The level of sophistication each requires from analysis and advisers varies, which will help dictate the capabilities you'll need from the software.

HOMEWORK. If you can't make out the terminology of these products, you won't be able to fairly

evaluate their functions. Keep a real estate glossary nearby if you're not familiar with such terms as market and asset valuation, annual property operating data (APOD), pre- and post-tax equity dividend, internal rate of return (IRR), modified internal rate of return (MIRR), sensitivity analysis, and Monte Carlo simulations.

COST. A higher price does not necessarily indicate a better software solution. Take advantage of vendor offers to sample reports and try demos and trial versions to identify the software best suited to the insights and advice you want to provide clients. Then you'll be able to make a smart investment.

REALTOR Benefits® partners offer special pricing or services to NAR members. Find out more at REALTOR.org/realtorbenefits.

