

THE INVESTMENT COLLECTION

Acquire with discipline. Build with intention.

A strategic field guide to evaluating residential real estate opportunities through cash flow, risk, and long-term alignment.

VOLUME IV

THE CATHEY EDIT

NICOLE CATHEY, REALTOR®

Real Estate • Relocation • Investment • Lifestyle

A property is not a strategy until the numbers and the purpose agree.

Begin with the role the asset must play: income, appreciation, tax planning with qualified advisors, renovation value, portfolio diversification, or future personal use.

The best opportunity is not the property with the loudest promise. It is the one whose assumptions survive careful review.

YOUR INVESTOR BRIEF

- ◆ What return matters most: cash flow, appreciation, equity growth, or a blend?
- ◆ How much capital can be committed without weakening reserves?
- ◆ How actively do you want to manage the asset?
- ◆ What is the hold period, and what conditions would trigger an exit?

Replace optimism with transparent assumptions.

01

ESTIMATE TRUE INCOME

Use supportable market rent, vacancy, concessions, ancillary income, and realistic lease-up timing.

02

CAPTURE EVERY EXPENSE

Include taxes, insurance, association fees, utilities, management, maintenance, turnover, landscaping, licensing, and reserves.

03

MODEL THE DEBT

Review payment, rate structure, term, amortization, cash-to-close, lender reserves, and refinance risk.

04

STRESS THE DEAL

Test lower rent, higher vacancy, repairs, insurance increases, tax changes, and a slower exit.

Use more than one lens.

INCOME METRICS	EQUITY METRICS
Gross rent • net operating income • cap rate • cash flow • debt-service coverage	Cash-on-cash return • renovation margin • appreciation assumptions • principal reduction • exit value

THE SIMPLE FORMULAS

- ◆ $\text{NOI} = \text{annual operating income} - \text{operating expenses, before debt service.}$
- ◆ $\text{Cap rate} = \text{NOI} \div \text{purchase price or current market value.}$
- ◆ $\text{Cash-on-cash return} = \text{annual pre-tax cash flow} \div \text{total cash invested.}$
- ◆ $\text{Break-even occupancy} = \text{the occupancy required to cover operating expenses and debt service.}$

A metric is useful only when the inputs are honest and comparable.

The building and the block must work together.

01

DEMAND

Identify the renter or buyer, employment drivers, household formation, seasonality, competing supply, and realistic absorption.

02

PROPERTY

Review structure, roof, systems, utilities, deferred maintenance, code issues, unit mix, parking, and operational complexity.

03

REGULATION

Verify zoning, rental restrictions, licensing, short-term rental rules, association limits, and planned public changes.

04

EXIT LIQUIDITY

Understand who is likely to buy the asset later, what financing they will need, and which improvements protect marketability.

Protect the downside before celebrating the upside.

Reserves are part of the investment, not leftover cash. Build separate allowances for vacancy, maintenance, capital expenditures, insurance deductibles, legal needs, and unexpected turnover.

- ◆ Define approval limits and reporting expectations for property management.
- ◆ Create a maintenance plan before deferred costs compound.
- ◆ Track rent, vacancy, renewals, expenses, repairs, and market value on a consistent schedule.
- ◆ Review the asset annually against the original thesis and alternative uses of the capital.

EXIT OPTIONS

- ◆ Hold and optimize operations
- ◆ Renovate and reposition
- ◆ Refinance when the numbers justify it
- ◆ Sell when the thesis changes, the capital can work harder elsewhere, or risk exceeds the expected return

BEGIN THE EDIT

Invest with evidence. Build with vision.

The Cathey Edit helps define the investment thesis, analyze the property, coordinate specialized due diligence, and keep every acquisition grounded in strategy rather than momentum.

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CURATING HOME. EDITING LIFESTYLE.

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