

THE TIME-SMART INVESTOR'S GUIDE

# The 7 Numbers That Decide *If a Deal Makes Money*

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*How to underwrite any property – residential or commercial – in under an hour, and know before you buy whether the numbers actually work.*

WRITTEN BY

**Shalimar Santiago**

Owner & Broker of Record · 20+ Years · Thousands of Deals Underwritten



# You don't have a knowledge problem. You have a *time* problem.

*Most investors lose money not because they can't learn to underwrite — but because they never have the hour it takes to do it right before the pressure to "just make an offer" wins.*

I've been on both sides of that pressure. I've bought houses sight-unseen in eight states, one at a time, on the strength of numbers on a page. I've underwritten thousands of deals through booms and through corrections that wiped out people who skipped the math. The difference was never talent. It was a **repeatable system** that told me the answer fast.

This short book is that system, stripped to its bones: **seven numbers**. Learn to run them and you can look at any property — a rental, a flip, a shopping center, a piece of land — and know, before you risk a dollar, whether it's a deal or a trap.

You'll be able to do it at your kitchen table after the kids are asleep. That's the whole point. Work smarter, not harder — and never buy blind again.

## Shalimar

Owner & Broker of Record, REI Brokerage House, Inc.



## Shalimar Santiago

Investor · Broker · Coach

# From one flip to thousands of deals.

I started in **2003**, buying and selling my own properties as fix-and-flips. I learned underwriting the honest way – with my own money on the line, through real market cycles and corrections that taught me what a spreadsheet can't.

As asset manager for a small family office, I bought homes **sight-unseen across eight states**, one property at a time, relying entirely on underwriting tools and the in-house systems I built to scale that process. I networked relentlessly with local and institutional investors – then followed the money as it moved from residential into **commercial, development, and lending**.

Today I run REI Brokerage House and coach high-volume wholesalers and investors. And I'm a single mom to a seven-year-old – so I don't have time for late-night networking meetings or lunch-and-learns. I built systems that let me **work smarter, not harder**. Now I'm sharing them with you.

2003

INVESTING SINCE

8

STATES BOUGHT IN

1,000S

DEALS UNDERWRITTEN

20+

YEARS & CYCLES



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# The Seven Numbers

Run them in order. Each one answers a single question every deal must survive. Miss one and the deal can quietly bleed you.

01	<b>All-In Basis</b> What will this property actually cost me?	06
02	<b>Real Income</b> What does it truly make – not what they claim?	07
03	<b>Operating Expenses &amp; NOI</b> What's left after the property pays its own bills?	08
04	<b>The Return That Matters</b> Is the reward worth the risk?	09
05	<b>Debt &amp; DSCR</b> Will a lender say yes – and will it still cash flow?	10
06	<b>The Exit</b> How do I get my money back out?	11
07	<b>Margin of Safety</b> What happens if I'm wrong?	12

**THEN**

**The Worked Example**

All seven numbers on one real deal · p.13

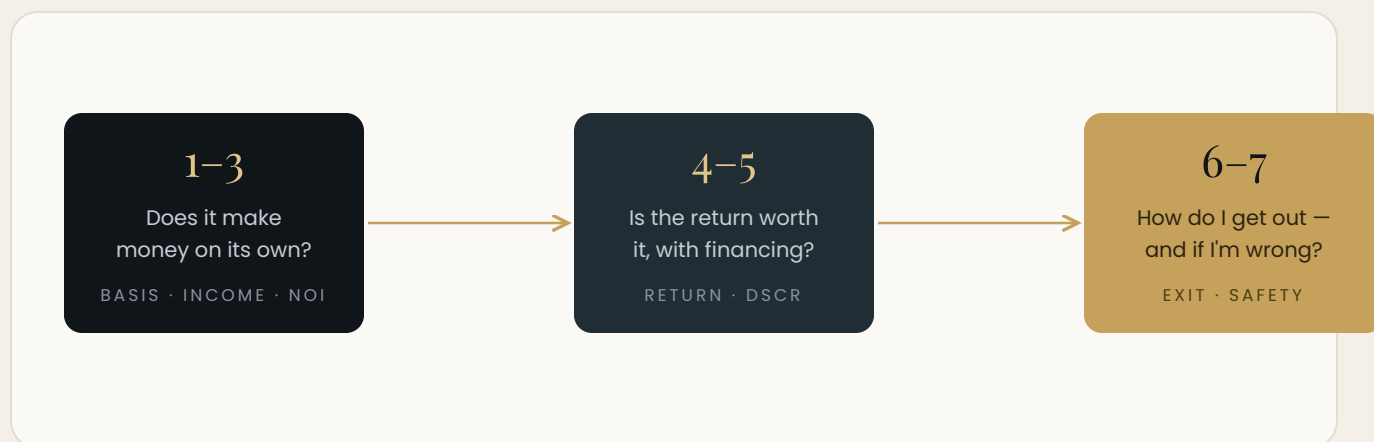
**AND**

**The 60-Minute Underwrite**

Your repeatable checklist · p.14

# One framework. Every asset class.

A single-family rental and a 160-unit apartment complex feel worlds apart. They aren't. Underneath, every income property answers the same seven questions — the numbers just get bigger. Learn the logic once and it travels with you from your first duplex to your first shopping center.



Throughout, watch for the **dark "Shalimar's Flag" boxes**. Those are the traps that cost real investors real money — the ones a formula alone won't warn you about. They're the difference between numbers on paper and judgment earned through cycles.



NUMBER ONE

# All-In Basis

"What will this property *actually* cost me – all the way to the finish line?"

Your basis is not the purchase price. It's every dollar you'll sink in before the property performs: purchase, closing costs, rehab or capital improvements, and the carrying costs while you get there. Amateurs anchor on the sticker price. Professionals underwrite the **all-in number**, because that's the figure every return is measured against. Get this wrong and every number after it is fiction.

**Basis = Purchase + Closing + Rehab/CapEx + Holding Costs**

#### ◆ RESIDENTIAL

Purchase + closing + rehab scope + a few months of taxes, insurance, and loan payments while you renovate and lease or sell.

#### ◆ COMMERCIAL

Add tenant improvements, leasing commissions, and a longer stabilization runway. Bigger buildings take longer to reach full income.

#### ▲ SHALIMAR'S FLAG

*The line people forget is holding cost. A deal that "pencils" at purchase can drown in six extra months of taxes, insurance, and debt service. Always budget more time than the seller promises – I underwrite the timeline I expect, then add a cushion.*

# 2

## NUMBER TWO

# Real Income

"What does this property *truly* make – not what the marketing claims?"

Every listing shows you "pro forma" income – the rosy projection of what rents *could* be. Your job is to find the **actual** income: signed leases, real collected rent, and honest occupancy. Then, and only then, layer in upside you can defend. The gap between actual and pro forma is where sellers hide their asking price – and where buyers lose their shirts.

**Effective Income = Gross Rent - Vacancy - Credit Loss + Other Income**

### ◆ RESIDENTIAL

What does it rent for *today*? Pull real comps – not the one inflated unit down the street. Assume realistic vacancy, not zero.

### ◆ COMMERCIAL

Read the rent roll and leases line by line. Note expirations, escalations, and concessions. Add ancillary income: parking, laundry, storage, fees.

### ▲ SHALIMAR'S FLAG

"Pro forma" is a seller's dream priced as today's reality. Underwrite what is, then treat upside as your reward for the work – never as the price you pay. If a deal only works on pro forma, it doesn't work.

# 3

## NUMBER THREE

# Operating Expenses & NOI

"What's left after the property pays *its own bills*?"

Net Operating Income is the heartbeat of every income property. Take real income, subtract the real cost of running the place – taxes, insurance, management, maintenance, utilities, reserves – and what remains is NOI. Note what's *excluded*: your mortgage and income taxes aren't operating expenses. NOI measures the **building's** performance, independent of how you finance it.

**NOI = Effective Income - Operating Expenses** (excludes debt service)

### ◆ RESIDENTIAL

Watch taxes reassessing at your new purchase price, and never assume you'll self-manage forever – budget management even if you do it yourself.

### ◆ COMMERCIAL

Learn who pays what: gross, modified-gross, or triple-net (NNN) leases shift expenses to tenants and completely change your NOI math.

### ▲ SHALIMAR'S FLAG

*The most-skipped expense is reserves – the money set aside for the roof, the HVAC, the turnover you know is coming. A pro forma with no reserves isn't optimistic; it's incomplete. I underwrite them every time.*

# 4

## NUMBER FOUR

# The Return That Matters

"Is the reward actually worth the *risk* I'm taking?"

One number turns "it makes money" into "it makes *enough*." Which metric you use depends on your play – but the discipline is the same: compare the return against the risk and against what else you could do with the money.

### Cap Rate

$$\text{NOI} \div \text{Price}$$

Value & yield for holds.

### Cash-on-Cash

$$\text{Cash Flow} \div \text{Cash In}$$

Return on your actual money.

### Profit Margin

$$\text{Profit} \div \text{All-In}$$

The measure for flips.

#### ◆ RESIDENTIAL

Flippers live on profit margin and the classic ~70% rule. Buy-and-hold investors watch cash-on-cash – real cash flow after every cost.

#### ◆ COMMERCIAL

Cap rate is the language. It sets value (NOI ÷ cap = price) and signals risk – lower caps mean pricier, safer assets; higher caps, more risk or upside.

#### ▲ SHALIMAR'S FLAG

*A return only means something next to an alternative. "8% cash-on-cash" isn't good or bad in a vacuum – compare it to the work, the risk, and what your money could earn elsewhere before you fall in love.*

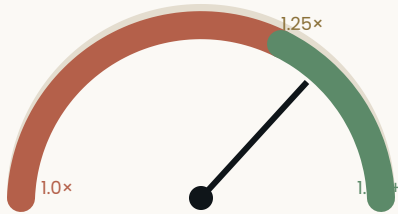
# 5

## NUMBER FIVE

# Debt & DSCR

"Will a lender say yes – and will it *still* cash flow after the loan?"

Financing can turn a modest deal into a great one – or a good deal into a trap. Two numbers rule here. **DSCR** (Debt Service Coverage Ratio) asks whether NOI comfortably covers the loan payment; lenders typically want **1.20–1.25×** or better. **LTV/LTC** caps how much they'll lend against value or cost. Master these and you'll know what a deal can actually be financed at before you ever call a lender.



$$\text{DSCR} = \text{NOI} \div \text{Annual Debt Service}$$

Below 1.0× the property can't pay its own loan. At 1.25× you have a **25% cushion** – the zone lenders like and the zone that survives a soft month.

### ▲ SHALIMAR'S FLAG

*Leverage cuts both ways. The same debt that magnifies a good return magnifies a bad one – and I've watched over-leveraged buyers get wiped out in corrections while conservative ones bought their deals at a discount. Respect the downside.*

# 6

NUMBER SIX

## The Exit

"How – and when – do I get my *money back out*?"

You make money the day you *exit*, not the day you buy. Every deal needs a defined way out before you go in: sell, refinance, or hold and cash-flow.

Underwrite the exit with the same honesty as the entry – resale value (ARV) for a flip, a refinance at a stabilized value, or a disposition cap rate for a hold. The best investors always have a **Plan B exit** when Plan A stalls.

### ◆ RESIDENTIAL

Flip: what's the honest After-Repair Value from sold comps? Hold: could you refinance to pull capital back out and roll it into the next deal?

### ◆ COMMERCIAL

Value is  $\text{NOI} \div \text{cap rate}$  – so raising NOI or selling into a lower cap both build value. Model a realistic *exit cap*, usually a touch higher than today's.

### THE THREE DOORS OUT

#### Sell

Capture the gain now

#### Refinance

Pull cash, keep asset

#### Hold

Cash flow + appreciation

### ▲ SHALIMAR'S FLAG

*A deal with only one exit is a bet. Through cycles, the flips I could rent if the market turned – and the holds I could sell – are the ones that never became emergencies. Buy optionality.*

# 7

NUMBER SEVEN

## Margin of Safety

*"What happens if I'm wrong?"*

This is the number that isn't taught in courses and can't be pulled from a listing — it's the one earned through cycles. Every projection you just made will be wrong by *some* amount. Margin of safety is the **buffer between your numbers and break-even**: the room to be wrong on rent, on timeline, on rehab, on the market, and still come out whole. It's why some investors compound for decades and others get erased in a single downturn.

YOUR PROJECTED RETURN VS. BREAK-EVEN



The wider the brass buffer, the more the world can go against you before the deal turns red. Never underwrite to the edge of break-even.

### ▲ SHALIMAR'S FLAG

*The deals that ruined people in every correction I've lived through had one thing in common: no margin. They only worked if everything went right. Underwrite so the deal survives when things go wrong — because eventually, they do.*

# The Worked Example

A realistic cash-flowing rental at current prices, run through all seven numbers. The same logic scales to a hundred units – the zeros just multiply. (Illustrative figures.)

① Purchase price	\$355,000
+ Closing & acquisition costs	\$8,750
<b>① All-in basis</b>	<b>\$363,750</b>
② Gross rent (\$3,700 × 12)	\$44,400
- Vacancy & credit loss (5%)	-\$2,220
<b>② Effective income</b>	<b>\$42,180</b>
③ - Operating expenses (~30%)	-\$12,680
<b>③ NOI</b>	<b>\$29,500</b>
⑤ - Debt service (\$266,250 @ 7%)	-\$21,260
<b>Annual cash flow</b>	<b>\$8,240</b>

④ CAP RATE

**8.3%**

NOI ÷ price

④ CASH-ON-CASH

**~8.4%**

\$8,240 ÷ ~\$97.5k in

⑤ DSCR

**1.39×**

NOI ÷ debt service

**⑥ EXIT & ⑦ MARGIN OF SAFETY – THE VERDICT**

An **8.3% cap comfortably clears today's ~7% debt**, so leverage works for you – lifting cash-on-cash to 8.4% while the tenant pays down your loan. DSCR at 1.39× gives real breathing room, and you hold two exits: refinance as rates ease, or hold and compound. This is the bar a savvy investor actually wants – **a cap above your cost of debt, with margin to spare.**

# The 60-Minute Underwrite

Tape this to your desk. The next time a deal lands in your inbox, run it top to bottom before you let anyone rush you. An hour of this beats a year of regret.

- 1 Build the all-in basis**  
Purchase + closing + rehab + holding. No guessing on rehab.
  - 2 Find the real income**  
Actual leases & comps. Kill the pro-forma fairy tale.
  - 3 Subtract to NOI**  
Real expenses + reserves. Exclude the loan.
  - 4 Run your return metric**  
Cap, cash-on-cash, or margin. Compare to alternatives.
  - 5 Check debt & DSCR**  
Does it finance? Is DSCR 1.25x+ with room to breathe?
  - 6 Define two exits**  
Sell, refi, or hold — and a Plan B if Plan A stalls.
- 
- 7 Stress-test the margin of safety**  
Drop rents 10%, add three months to the timeline, raise the exit cap. Does it still survive? If yes, you may have a deal. If no, you just saved yourself.

*"The offer you don't make because the numbers said no is often the best money you'll ever save."*

# You've got the framework. Now go deep.

These seven numbers are the foundation. But each asset class has its own quirks, comps, and traps. That's why I'm building a library that takes you from your first rental to institutional-grade commercial — one asset class at a time.

**START FREE**

## **This Book — The 7 Numbers**

The universal underwriting logic. You're holding it.



**GO DEEPER**

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LET'S WORK TOGETHER

# When you're ready to stop guessing.

Whether you have one deal that needs a sharp second set of eyes or a pipeline that needs a partner, REI Brokerage House brings 20+ years and thousands of underwritten deals to your table – residential to commercial.

## Deal Underwriting

BPOs, proformas, and Highest-and-Best-Use analysis – done right, done fast.

## Capital Advisory

Packaging deals and connecting them to the right debt and equity.

## Consulting & Coaching

Build the systems that let you scale volume without burning out.

## Investor Brokerage

Sourcing, packaging, and closing across the full deal lifecycle.

## Shalimar Santiago

Owner & Broker of Record · REI Brokerage House, Inc. · FL Lic. BK3055923

[REIBH.com](https://reibh.com)

[shalimar@reibh.com](mailto:shalimar@reibh.com)

813 · 389 · 7881

