

THE SIX SIGMA APPROACH TO REAL ESTATE INVESTMENTS BY DAWCO

The following paragraphs offer a general outline of the methodology being developed by Dawco in the area of real estate investments.

Dawco decided to call this methodology Six Sigma based on its President experience with Six Sigma in General Electric and design of experiments using Taguchi techniques in a manufacturing environment. Dawco's President holds a B.S. in Electrical Engineering with over 18 years of manufacturing and engineering experience.

What is Six Sigma. There are several definitions, here are some.

- Six Sigma is a fact based, data-driven philosophy of quality improvement that values defect prevention over defect detection it drives customer satisfaction and bottom-line results by reducing variation and waste, thereby promoting a competitive advantage. It applies anywhere where variation and waste exists. [ASQ]
- Six Sigma is a philosophy— This perspective views all work as processes that can be defined, measured, analyzed, improved and controlled. Processes require inputs (x) and produce outputs (y). If you control the inputs, you will control the outputs: This is generally expressed as $y = f(x)$. [ASQ]
- Six Sigma is a methodology— This view of Six Sigma recognizes the underlying and rigorous approach known as DMAIC (define, measure, analyze, improve and control). DMAIC defines the steps a Six Sigma practitioner is expected to follow, starting with identifying the problem and ending with the implementation of long-lasting solutions. While DMAIC is not the only Six Sigma methodology in use, it is certainly the most widely adopted and recognized. [ASQ]

What is the Six Sigma approach to real estate investments being pioneered by Dawco?

Dawco started the process of identifying, understanding, studying, all possible variables and outputs that go into real estate investment, what metrics are used, their interaction with each other, who controls those variables such as sales price, maintenance, insurance, and so on, and the outputs such as cash flow, cap rate, cash on cash return on investment, internal rate of return and many others.

Also who the players are; buyer, seller, real estate agent, builder, bank, and others, what metrics are important to each one of them, what are the "conflicts" between the interest parties.

This process also involved understanding what the Investment clubs have to offer, what they recommend, reading many books and attending seminars about real estate investment, talking to dozens of real estate agents as well with investors with many years of experience in this field, talking to dozens of tenants from single detached homes, to big multifamily apartments, talking to lenders, bankers, landlords, reading hundreds of articles, studies and scholarly articles about metrics, its limitations, and application, social implications

Also reading about “housing”, its social problems, benefits, role, challenges, behavioral economics, demographics, etc. This is an often overlooked area since it helps to understand the physiological, social needs of potential tenants.

We also looked at the design, energy efficiency, location, and many building variables.

We built and sold the first generation of Mini Green Communities by using this methodology. It resulted in exceptional metrics.

This methodology does not follow the exact methodology of Six Sigma observed in a factory floor for example, since many variables(factors) cannot be controlled by any one of the players individually. For example a lender can control the interest rate, down payment and time of the loan, seller can control selling price, terms, condition of units, etc. a builder can control quality, materials, design, energy efficiency and many other factors.

The methodology that Dawco is pioneering uses the same approach as Six Sigma as practical as possible at this stage of development, the results have produced a paradigm shift.

A paradigm can be defined as.

- Intellectual perception or view, accepted by an individual or a society as clear example, model, or patten of how things work in the word.
- A set of assumptions, concepts, values, and practices that constitutes a way of viewing reality for the community that shares them, especially in an intellectual discipline.

Paradigm shifts are hard to accept, but some sectors and industries are more familiar with them than others. For example electronics industries with big R&D budes and an array of technical and financial tools are constantly going throughout this “paradigms shifts”, other sectors see less of them an often they are more reactive in nature.

Dawco Mini Green Communities is a multi-disciplinary product, it works, it produces outstanding cash flow, appreciation, low maintenance, it is a proven concept.

On the other hand this product is more well suited for “holding” and not for “flipping”, it is more well suited for small investors, it is more well suited to be a high quality asset.

Different investors have different objectives and there are a number of vehicles to achieve them each one with its set of pros and cons.

Dawco will be positing in its website information that we believe is representative of the many aspects of its methodology, since it is a vast amount of information it will be done in phases, some information will not be disclosed because it is proprietary information.

Please contact us to discuss your investments needs.