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# **MAKING THE INVESTOR-AGENT CONNECTION**

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## Why You Need an Investor-Savvy Agent

If you've bought and sold a principal residence or investment property, you know how important it is to have a realtor act on your behalf during the process. He or she can help you find a property, prepare your home for sale, write offers to purchase, negotiate the purchase price, make referrals for other services, and generally guide you through the numerous steps. You could never do that with someone you didn't trust and value, right?

Now imagine that on your journey to becoming a more sophisticated investor, with more deals, properties, and dollars at stake, you're able to work with an agent who *specializes* in working with investors like yourself. Someone who, yes, can handle all the technical details of buying and selling property, but who also understands the investment side of the business—because he or she is also an investor. Someone like that can help you find an excellent buy, instead of a good one, and can help you choose a solid investment, rather than a lucky one.

How much would that be worth to you?

In any profession, be it law, medicine, or in this case, real estate, specialists provide an expertise that their more generalist colleagues do not possess. For real estate investors, investor-savvy agents are a huge asset because they intimately know all the important steps you're going to take

and the information you need to make solid decisions—after all, they have acquired income-producing real estate themselves. Such experience could be the difference between an excellent and profitable buy, and one you come to regret.

## THE VALUE PROPOSITION OF AN INVESTOR-SAVVY AGENT

The job of an investor-savvy realtor is to understand you, the client, as an *investor*, not just a homebuyer. Many realtors are interested in individual transactions—simply buying and selling homes and gaining commissions. Investor-savvy agents, on the other hand, understand your goals and objectives because they are investors themselves, and they have the knowledge and expertise to help you find cash-flowing properties that meet your strategy, vis-à-vis where you are in life and in your real estate investing career.

For example, I recently met with a couple that were thinking of becoming real estate investors. As soon as I began talking to them, I learned they'd bought only one house, their own home, and had been living there for 25 years. They were ready to buy investment property, and wanted to understand the different strategies they could choose from. It would have been a huge mistake for me to put them in something that didn't suit them, something fast-paced such as a fix and flip. For this couple, and for many typical first-time investors, the ideal fit would be something stable—in a stable area with stable returns—that they could buy and hold with little work. With one long-term primary residence, *stability* was the story of their lives, so a slow-moving, easy-to-manage property would be perfect for them.

For another client, a contractor who is very comfortable as a handyman, a suitable property might be one that required a little work—not necessarily to fix and flip, but a home that would benefit from a little sweat equity in painting and other cosmetic improvements, which he could provide himself, to improve cash flow and increase value.

It really depends on individual clients: their goals and strategies, financial resources, limitations, and knowledge and experience. And, of course, the essential question of why: Why do they want to invest in real estate?

## “The Big Why”

Let’s talk about your “why.” Why do *you* want to invest in real estate? Is it to build your retirement nest egg, to pay for your kids’ education, to generate extra income to pay expenses, or to replace your income entirely by becoming a full-time investor? Few people actually love bricks and mortar, but who wouldn’t love financial freedom?

Whatever your “why,” investor-focused agents can help you achieve your goals, because they understand investment real estate—the local market and other important factors—more than realtors who deal purely in selling primary residences. Agents selling homes only to first-time or move-up buyers simply match up potential properties to buyers’ parameters for location, price, proximity to work, and other key criteria.

Searching for investment properties, on the other hand, involves a different process and another set of rules. When working with investors, realtors need to be more knowledgeable about the local market fundamentals, developments in the economy, goings-on with the municipal government, what makes one potential neighbourhood or street more desirable than another, the vacancy and rental rates for the area, and the tenant profile for the neighbourhood.

The importance of the above points cannot be overstated, and we will discuss all of them in greater detail later.

First-time or would-be investors sometimes try to make purchasing decisions based on advice from friends or relatives, what they hear or read in the media, or other information that doesn’t always make for the best choices. Selecting neighbourhoods and properties to invest in requires looking for very specific trends and developments. A tip from your Uncle Fred or the friendly community butcher isn’t going to (pardon the pun) cut it for you in terms of unearthing *real* investment opportunities. It may help, but it’s an opinion, and quite likely not an informed opinion. When dealing with your or your family’s financial future, you need expert advice.

Among the most valuable tools that licensed agents provide are reports called CMAs—comparative market analyses—also known as “comparables.” This is critical information that should be closely considered when buying a property, since it details recent buying and selling activity in the

neighbourhood, how long each property has been on the market, the asking and final selling prices, and other data.

## Local Market Expertise

Investor-savvy agents provide critical information that you, as an investor and landlord, will want and need to know, including:

- How much could this property rent for?
- What are the average rents in this neighbourhood?
- What are the vacancy rates in this area for this type of property?
- How have rents in the area been trending over the last one to three years?
- What kind of tenant will this property attract?
- Are renters attracted to the neighbourhood?
- Is the property saleable, since one day you will likely want to sell it?
- What is the recent price appreciation for similar properties in the area?
- Are there any new developments in the area, such as highway or transit construction or a major new employer, that make this an appealing home for prospective tenants and that could eventually increase the value of the property?
- Is there a new tax assessment for the area, which could increase property taxes?

Here's a short anecdote. At one brand-new townhouse complex in Kitchener, I called the listing realtor to ask a few questions: How much would the townhomes rent for? What was the vacancy rate in the area? Did she know of any new employers coming into the area or of any other developments that would make the area better to live or invest in? She could not provide the answers, since she did not work with investors or people looking to buy properties to rent out. Her focus was purely on selling the units to buyers of primary homes, and she could talk only about

upgrades and other features in the homes. Luckily for my client, he did not have to worry, as I knew the area well, and could help him look at the bigger picture.

It's an investor-savvy agent's job to gather this kind of information to help you, as an investor, make informed decisions on areas and properties to invest in, and to teach you what to look for on your own. They should know what's happening in the area over, say, the next five years. For example, are there any new construction, economic, or development projects planned or underway, such as upgrades to major highways or new transportation infrastructure? They should understand the demographics of the tenants the area attracts and have suggestions at hand to improve potential properties to make them more desirable than other competing rental properties. And they should offer ideas for your exit strategy—presumably resale in due course.

## How to Get Good Comparables

As mentioned earlier, comparative market analyses (CMAs) or comparables are one of the most valuable services licensed agents can provide their clients. These reports include details on recent buying and selling activity in the neighbourhood, size and style of the property, how long each house was on the market, the asking and selling prices, and other critical information, which, as an investor, you can then use to guide your buying and selling decisions.

Getting accurate comparables can be challenging if you do not know your search criteria or the neighbourhood in question. It's quite common, for example, for two or three realtors to look at the same property and have different opinions on its value. That's why it's critical for you to see the CMA yourself, to see what the realtors base their opinions on and how they arrive at their estimated value.

Have you ever sold your home and asked three realtors for their opinion? It's the same house, but the three agents may come up with three completely different prices, and even more price range differentiation if the property needs work. The After Repair Value (ARV), what a property would be worth after improvements are made, is harder to estimate. To get the best ARV possible, you need to use both sold and listed comparables. You want to know how much the comparables listed and sold for because you need to know what people are willing to pay for the property based

on the sold comparables (market value), and you need to know what your competition is doing when you put your property on the market to sell.

When looking for sold comparables, your search criteria should consist of the following:

- similar properties on the same street, or
- similar properties in the same area, or
- similar properties in the same town, if none of the above comparables is found (for more unique properties, you might need to search the whole town)
- a time frame of six months back, or three months in a hot market
- the same number of bedrooms and bathrooms as the subject property (if you are unable to find comparables with the same number of bedrooms and bathrooms, you can have a variance of one less bedroom and/or one less bathroom)

You can also search the history of the subject property, when it was last sold and how many times it has turned over.

Relying on your agent's years of experience and knowledge of the local housing market to interpret the data and make recommendations, you will compare the CMA information to the property you are considering purchasing. You must get a CMA for every property you are considering buying or selling, as this is the key way to determine the appropriate price.

### **TAHANI'S TIP**

Never rely only on a realtor's opinion of a property. Always ask for their opinion, but also look at the comparables yourself.

## **DIFFERENCES BETWEEN REGULAR AND INVESTOR-SAVVY AGENTS**

Consider some of the key ways investor-savvy realtors differ from their more generalist colleagues:

- **General-Purpose Realtor:** Thinks short-term about individual deals
- **Investor-Savvy Realtor:** Considers the long-term objectives of the investor and is focused on the long-term relationship, not one deal
- **General-Purpose Realtor:** Is focused on buying and selling houses
- **Investor-Savvy Realtor:** Pays constant attention to local developments and educates his or her clients accordingly
- **General-Purpose Realtor:** May not know much about local economic developments
- **Investor-Savvy Realtor:** Is always attuned to local economic developments and helps interpret what they mean to clients
- **General-Purpose Realtor:** Sells an investment property and calculates only the mortgage plus taxes, and if the rent exceeds that total, then considers it cash flow
- **Investor-Savvy Realtor:** Takes into account the mortgage, property taxes, land transfer taxes, inspection and appraisal fees, property management fees, vacancy fees, insurance, maintenance fees, legal fees, and all other operating expenses to determine whether a property can generate cash flow
- **General-Purpose Realtor:** Sells property based on price (for example, may encourage buyers to “invest” in Windsor because prices are cheap there)
- **Investor-Savvy Realtor:** Looks for and sells in areas with strong fundamentals, and would educate buyers about *why* prices are cheap in Windsor and will suggest other stronger areas to invest in
- **General-Purpose Realtor:** May sell all over a region or province in an attempt to make money, even though he or she doesn’t really know the local market
- **Investor-Savvy Realtor:** Specializes in one area or town that he or she knows, and is an expert in that market

Indeed, an investor-savvy agent is a crucial part of your team—perhaps the most important member. As you grow your real estate holdings and

acquire not just more properties but also experience and knowledge, you will gain some of the market assessment skills an agent excels in. You will be able to carry out more of your own due diligence on potential areas and properties. Your agent becomes almost a coach in this regard.

Make no mistake—as an investor, it’s *your* money, so you must take ownership and responsibility and be fully invested in learning about the process and the key decision points in finding suitable areas and properties. But this is their *job*. This is what they specialize in. So, assuming you find the right investor-savvy agent, this expert knowledge and service they provide you is worth . . .

Well, remember at the beginning of the chapter I asked you, “How much would that be worth to you?” The short answer is that the expertise is invaluable. Indeed, it’s difficult to put a price on such value, because it’s not just about dollars and cents—it’s also about confidence and peace of mind.

Think about it: while your investor-savvy agent is using his or her expertise to help you find and acquire your next investment property, what could you be doing with the time you’d be saving? How much money might you have saved by avoiding costly mistakes? If you’re a full-time investor, you could focus on managing your business of existing properties and researching other potential purchases. If you’re working at a full- or part-time job and investing on the side, it would allow you to manage your daily life—not just at work but also at home, with your partner, kids, or whatever other passions you may have.

What is *that* worth to you?

If you’re serious about becoming a sophisticated real estate investor, the answer just might be “priceless.”

## **TAHANI’S TOP 10 TIPS FOR SUCCESS**

1. Connect with an investor-savvy agent.
2. Create specific goals.
3. Clearly define a strategy.
4. Understand that investing in real estate is not passive income; it actually requires work, time, and attention.
5. Recognize that it is a *business*, and must be treated like one.

6. Focus on the big picture and look for strong cash-flowing deals, rather than keep waiting for that one big deal.
7. Know that the work doesn't end once you find a property and put in an offer—the work must continue; the property and tenants must be maintained and managed. Think of it like a marriage: all the excitement comes at the beginning, but the real test comes after the honeymoon phase, when the couple has children and endures all the ups and downs of life.
8. Maintain realistic expectations, rather than be fooled by TV infomercials about how easy it is to become a millionaire through real estate investing with little or no work, knowledge, or effort.
9. Focus on understanding the fundamentals of your local market instead of listening to too many opinions or being easily swayed by new reports about the market going up or down.
10. Take informed action. Some investors suffer from analysis paralysis: they are caught in a cycle of constantly *learning*—attending seminar after seminar, reading book after book—and fail to ever *take action*. At the other end of the spectrum, some know *nothing* but are so excited to become real estate investors they buy property without thinking things through or doing proper research.

## REALTORS TAKE NOTE

We've looked at the advantages of working with an investor-savvy agent, so let's take a moment to consider the other side of the equation—the advantages of working with investors. Investors are a different breed. Few realtors are enthusiastic about working with investors. For realtors who want to understand how to work with investors, this can be quite a lucrative business. But one thing is certain: you need a respectful, trusting relationship where both sides get out of it what they are looking for—and that is success and profit. This really is the bottom line. Investors are numbers oriented; they aren't too concerned with or emotionally attached to properties, their curb appeal, the colour on the walls, or even their condition, especially if they intend to renovate and resell.

## BENEFITS FOR REALTORS

1. Investors are repeat customers. For any realtor, this is a great advantage. Investors are often repeat clients within a year, whereas the average homeowner may be a repeat customer an average of every seven years.
2. Investors are good sources of referrals to other investors, as well as friends, relatives, and other associates. Real estate is a hot and sexy topic, and most discussions happen during summer afternoon barbecues or evening get-togethers. Therefore, if an agent's service and knowledge are strong, they are going to get a lot of referrals.
3. Investors are not picky buyers who want you to cart them around in your car all day. They are serious business owners. Most have full-time jobs and, therefore, only go out to see properties if the numbers work and they are serious about buying.
4. Investors are easy to work with. Yes, this may come as a shock, but once an agent and an investor establish a strong relationship, finding and completing profitable deals becomes an easy and repetitive process. This is very different from buying and selling primary homes, where the client and the process can differ every time. Investors can either search online for properties or use a realtor-provided list of homes from the MLS®, and they can drive by and view the properties themselves. Although dealing with novice investors is a lot of work at the beginning, investors can actually save realtors time, headaches, and frustration because they have a clear picture of what they want and what their goals are. Most investors are active, and once you explain the process and they understand the area and the numbers, and trust is built, most become easy to work with. The more deals one investor buys, the easier a realtor's business and life become. A realtor who finds good deals will have investors continually showing up, coming back for more.
5. Investors are usually pre-approved for mortgages or they know where they stand financially. Most investors know their numbers,

how much money they have to work with, and when they are ready to move forward. Realtors can walk first-time investors through the process with a savvy mortgage broker.

6. Investors don't usually ask agents to reduce their commission. They believe in the benefits and value an investor-savvy agent delivers, and they are usually happy to pay for that expertise.
7. Investors often purchase property when buyers of primary homes do not—such as during slow markets, summertime, or the holiday season—and whenever a good opportunity arises. Investors know that there are opportunities out there when the market is slow and people need to sell.
8. Realtors can spend less money on advertising, which is their highest expense. If they can reduce those costs by working with investors who have clearer ideas of what they want as opposed to advertising regular resale listings to primary home buyers, then that means more profit for them. If a realtor can find one serious investor who buys two or three properties from them in one year, that means lower costs for advertising, more commissions, and a more profitable business.
9. It is a competitive advantage for a realtor to become a specialist in a niche market with less competition. For example, a realtor within the Toronto Real Estate Board competes with 32,000 other agents, but for one who specializes in working with real estate investors, the number drops considerably. You may compete with only a few thousand other realtors, if not less. A bigger piece of the market means a more profitable business for these agents.
10. Realtors who themselves become investors end up looking after their financial health in a way that isn't taught in any real estate licence courses or industry seminars. If they buy only one income property, then they are better off financially than roughly half of the Canadian population. Buying one investment property a year, an agent can build personal long-term financial freedom while helping other investors.

It takes a special realtor to work with investors because these clients are very educated and knowledgeable about investment real estate. I present a two-day training workshop for agents who are interested in knowing more about how to work with investors. For more information, visit [www.realestaterichesbook.com](http://www.realestaterichesbook.com).

When the real estate market is slow, prices are low and listings are up. Investors typically go on a buying spree, since they may be able to acquire properties that are undervalued. Also, given recent changes to mortgage rules, young and first-time buyers of primary homes may find it more difficult to get into the market. This means they are likely to remain renters for longer than otherwise might have been the case, which is conducive to high demand for rental properties owned by investors.

Agents and investors who understand this reality and can work well together can build mutually beneficial relationships. Investors can acquire cash-flowing properties with strong potential for value appreciation—which means high profit. Realtors can establish solid relationships with investors that can enhance their careers and add real value to their bottom lines. Add to that the potential for repeat business and referrals, and agents can develop this part of their business to offset slowdowns in the resale residential real estate market, or replace it entirely.

## GUEST COMMENTARY

### ***How not using an investor-savvy agent can hurt you***

**By Dave Peniuk, Rev N You, Vancouver Island, B.C.**

There is great need for investor-savvy agents in Canada. I say this from experience; we have struggled to find them in the markets we buy in. We do know of several in Canada, but unfortunately, we have yet to work with them because none are in our area.

Dozens of times, an investor-savvy agent would have helped us. For example, our first investment deal was accompanied by the advice of a realtor who said, “It’s better if it costs you \$100 a month anyway, because then you’re not paying tax on the income.” (In other words, the property would generate negative cash flow.) This is very

bad advice, and thankfully not guidance we followed. Instead, we focused on getting a deal that would generate positive cash flow each month.

We have also had many deals that would have made perfect sense messed up by sellers' agents who didn't understand investors. If only they had taken the time to understand the benefits of a "vendor take-back" or "agreement for sale," they could have presented a compelling argument for our offer to their clients.

We have had to find our own way. We have worked with some agents with outstanding market knowledge who have helped us identify good deals. But ultimately, our investor-specific needs have had to be filled by our own persistence and persuasion.

An investor-savvy agent is such a huge advantage for a novice investor. Imagine having not only a coach who knows your market, the deals you're looking for, and what to do to secure the deal but also one whose success is tied to your success. In other words, the more good deals they find and help you negotiate, the more money they make. It's such a win-win situation, and finding such an agent will make your real estate team stronger.

As a novice investor, if you find an investor-savvy agent, treat them like the gold they are. Never negotiate commission—they are worth every penny. Always send thank-you cards for every deal you do—or if you haven't yet done a deal, for every piece of advice they give you that makes a difference in your business. Build a strong and long-term relationship with that person, and you'll likely find yourself with the best and most lucrative deals in town.

## GUEST COMMENTARY

### *How an investor-savvy realtor helps to add value to your property*

**By Brian Pulis, Pulis Investment Group, A Private Real Estate Investment Company, Toronto, Ont.**

Our strategy is to focus on smaller multi-family properties (12 to 20 units), specializing in neglected properties. We recently completed

several purchases where the existing cash flow was very poor. We encouraged the tenants to move out, then renovated the entire property and re-rented the units to a different tenant profile, at a 15 to 20 per cent increase. This approach created equity appreciation, as well as improved revenue.

Having an agent who understands our objectives is very important. We build relationships with our agents, educating them on what we're looking for—importantly, a property's marketability to our desired tenant profile. We have an agent in Barrie, Ontario, who really gets what we do and only brings us properties that fit our model. This year, he brought us eight deals; we purchased four of them and put offers on two others that we didn't end up following through on. With this focused approach, neither party wastes the other's time.

An investor-savvy agent also has potentially valuable connections. For example, this year we completed several deals that our agent brought to us before they were on the open market. It gave us a huge advantage in the negotiation stage. In the multi-family category, this is very common, so working with the right agent can be rewarding.

Novice investors take note: study the different categories within the rental market. I do this by first understanding the tenant profile I want to work with and then looking at areas and properties where these individuals want to live. Any work I do to the properties is designed to attract my desired tenant profile. If such tenants don't care to live in the area my building is, it wouldn't matter what improvements I made. Therefore, understanding tenant profiles, where they want to live, and what amenities they are looking for is critical. If your investor-savvy agent understands this process, he or she can be invaluable in helping you determine prospective areas and properties that will attract your tenant profile.

Your agent must do their homework to get a full understanding of your investment model. One who shows you everything that is currently listed without first determining what you're looking for is just wasting everyone's time. This was my experience when I began real estate investing, and I found it very troubling. I couldn't understand why my agent was showing me certain properties. As a novice investor who thought the agent was an expert, it totally confused me. The

agent didn't have a clue how to explore different investment strategies, and therefore had no clue as to the properties that were worth looking at. Today, my investor-savvy agents are investors themselves, and they understand what it is we're trying to accomplish. They run the numbers on their own first before they consider showing me a property. They filter out properties that don't qualify, and thereby avoid wasting valuable time and energy.

If you find an investor-savvy agent you can work with, it's important to respect their time. Once they understand what you want, a great agent can then set out to locate it. They should then be rewarded with prompt follow-through from you. This relationship is very valuable, so if an agent spends time finding you a suitable property but you react with apprehension, they will pass those deals off to others who are ready to act.

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