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How to quit your day job in **3** years



Investor **Paul Kondakos** outlines a solid foundation for making real estate your full-time career in just three years

Many people dream of becoming a full-time real estate investor because of the flexibility, quality of life, wealth creation potential and autonomy it provides them. The good news is that, for those who are serious, making the transition is well within your grasp if you approach it strategically and methodically.

The scenario

The aim is to quit your day job and become a full-time real estate investor within three years. With initial capital of \$150,000, our fictional investor will be generating a \$3,000 monthly cash flow within the desired timeline.

The \$3,000 a month cash flow minimum is merely a floor, and the sky is the limit. Also, if you don't have that \$150,000 initial capital saved up in cash, stocks, bonds or GICs, the best next bet is to leverage the past 10 years of real estate gains and re-finance your principal property or secure a line of credit against it.

We are also working with a three-year timeline to make the full transition. This will give our investor plenty of time to educate themselves, acquire an income property, gain experience, enter a new real estate related field and build a solid

foundation to transition seamlessly into their new career.

First 12 months: Education

Contrary to what you often hear, income properties are *not* passive investments (i.e., credit checks, leases, notices, repairs, preventative maintenance, rent collection, bill payment, etc.). As such, in order to succeed in your new career, you have to arm yourself with as much knowledge as possible to manage your investments efficiently and effectively.

The first step is to learn the laws, which vary from province to province. It's important to familiarize yourself with the legislation that governs residential rental properties in your province. Each province has its own website dedicated to residential tenancies, which is a good place to start.

The next step is to join a real estate investment club or network. Many clubs and networks exist where real-estate-minded individuals can get together to network and learn from one another. Caveat: Do not join any networks or clubs with fees in the thousands of dollars.

Another way to share knowledge and network with other investors is to attend real estate conferences, lectures and seminars, where you can learn a great deal across just a day or two. Take advantage of reputable

conferences, such as *CREW's* very own InvestorForum.

Great education in real estate could also come from becoming a real estate agent. You could even act as the agent for your first (or second, third and fourth) income property acquisition and pocket the commission. You can become a licensed real estate agent in 12 months and do it while you're still working full time at your current job.

Finally, the quickest road to success is to emulate someone who has already demonstrated success in a particular field. A mentor can be found at any of the above-mentioned educational components – you just need to keep your eyes and ears open and talk to lots of people find a fit.

Month 13: Acquire first income property

After arming yourself with the requisite real estate knowledge, it's time to turn theory into practice by acquiring your first income property. Use your real estate license to search MLS listings and pocket the commission. You still have a full-time job, but that shouldn't be a concern, as you will hire a superintendent to run the property day to day. Your job will be to manage the property and the superintendent, which can be done on a part-time basis.

Making the transition is well within your grasp if you approach it strategically and methodically

The target property specifications are:

- Cash-flow positive (look for a cap rate of 6% or more)
- Smaller urban centres because they offer better cap rates and thus better cash flow
- Purpose-built building
- A six-unit residential multiplex, which can be financed at residential rates at certain financial institutions
- Approximate price of \$100,000 per door

The cash-flow scenario for this first income property is actually based on a six-unit building in Kitchener-Waterloo, Ont.

Purchase price	\$600,000
Capital required	\$150,000 plus closing costs of \$12,000
Cap rate	6.6%
Interest rate	2.4% (five-year term, variable rate)
Gross income	\$55,000
Expenses	\$15,000
Net income	\$40,000/year
Mortgage payment	\$2,000/month
Cash flow	\$16,000/year

Month 19: Acquire first joint-venture income property

With real-life property management experience and an income property in your stable, the next move to building your portfolio is to start attracting investor money and using joint ventures for your next acquisition. You can leverage family, friends and the networks you've established to seek out JV partners.

Seek to acquire a property similar to the one you already acquired. It will be an easier sell to a prospective JV partner because you already have experience with this type of building. Given that it's a JV partnership, the profits and cash flows are divided equally between the partners. So, using the previous chart, the total cash flow for you is \$8,000 a year.

Month 25: Acquire second joint-venture income property

With two buildings under your belt and some JV experience, it's time to move on to

your next JV property. This time, however, the goal is to move onto something a little bigger. The target specifications are the same as the last two properties, except that the property itself is a 12-unit residential multiplex.

The cash-flow scenario for this property is actually based on a 12-unit building in Oshawa, Ont.

Purchase price	\$1,100,000
Capital required	\$165,000 plus closing costs of \$30,000
Cap rate	6.1%
Interest rate	2.0% (CMHC-insured, five-year, 30-year AM, 85% LTV)
Gross income	\$115,000
Expenses	\$48,000
Net income	\$67,000/year
Mortgage payment	\$3,600/month
Cash flow	\$23,800/year

DANIEL ST. JEAN AND LAUREL SIMMONS: HOW WE QUIT OUR DAY JOBS IN 3 YEARS



For Daniel St. Jean and Laurel Simmons, founders of the Safe and Sound Real Estate Investment Group, the road to being full-time real estate investors was a process. "Gradually, real estate investing took over our lives, and we realized that we could have a great lifestyle from the results," St. John says. "It was time to make a change and go full-tilt toward building the life we wanted."

Both St. John and Simmons were self-employed, with diverse titles such as technical writer, business coach, art gallery owner and French tutor in their employment his-

tory. Though they were ready to take the plunge, this self-employment meant they were not very credit worthy, so they looked first at flipping properties.

"We realized that, for us, it was just a gamble, because you're far too dependent on short-term market influences and unknowns when it comes to renovating a house," St. John says. "We have since used rent-to-own, and developed a financing strategy that has allowed us to buy as many houses as we want."

In July 2014, the couple moved from Ottawa to Niagara-on-the-Lake. Because of the freedom afforded by real estate investing, Simmons became a full-time student at Niagara College, where she is studying chemistry, biology, wine-making and viticulture practices. St. John adds: "The plan is eventually to marry Laurel's wine-making experience with real estate investing — it's all a grand adventure."



Kitchener-Waterloo, Ont.

In order to succeed in your new career, you have to arm yourself with as much knowledge as possible

PAUL KONDAKOS: HOW I DID IT



I had always loved real estate from a young age. The game of Monopoly always had a special appeal to me. I liked the idea of owning a building and collecting rent. I bought my first income property in my last year of university and continued to acquire properties over the next decade, managing them part-time while holding down a full-time job. In 2010, the firm I worked for became insolvent. At that point it was either go find another job or focus on what I knew I was good at and what I loved to do. The choice was simple. I now own and manage a \$15 million portfolio consisting of approximately 100 doors. I continue to add to my portfolio on a regular basis and have never looked back.

SEAN GREENE: HOW I QUIT MY DAY JOB IN 3 YEARS



Sean Greene, president of the Platinum Investment Real Estate Group, had been involved in various aspects of real estate for more than 10 years, so the move to full-time real estate investor was a natural transition.

After running a landscaping business for around seven years, he became a licensed real estate salesperson in 1995. "After answering to a pager and working practically seven days a week for 10 years, I made the decision to get myself off a commission-type income and move to a position of creating long-term sustainable wealth through quality real estate investments," Greene says.

His initial strategy was broad, but he had a single target: to generate enough income to cover day-to-day expenses, then build to a position where he wouldn't have to work again. In his life as a Realtor, Greene had started investing in flips. Ongoing strategies include a combination of syndicated mortgage investments with friends and past clients, along with involvement in a condo-conversion project.

"I made a conscious effort to move equity into actual real estate ownership, which worked for me over time, due to the principals of real estate investing—forced equity appreciation, increasing of cash flow, decreasing expenses, mortgage pay down and time," he says.

Ensuring the long-term sustainability of being a full-time real estate investor begins with ensuring that he keeps pace with real-time changes and nuances in the industry, Greene says, "and managing my current real estate holding positions with great care and diligence."

Given that this is a JV partnership, the profits and cash flows are divided equally between the partners, so your total cash flow for the year is \$11,900.

Month 31: Transition into new real estate career

Full-time real estate investors don't typically just quit their day jobs and become full-time real estate investors. Instead, they seek out a new real-estate-related career for several reasons:

- To become immersed in the real estate industry
- To have the flexibility to also be a full-time real estate investor
- To bring in supplementary income

Most real estate related careers offer a high degree of autonomy and flexibility. They allow you to set your own schedule, which is critical if you want to focus on being a full-time real estate investor. Careers to consider

CHALLENGES AND PITFALLS ALONG THE WAY

As a full time real estate investor, you will face many challenges along the way.

- Finding the right income property at the right price and in the right area.
- Managing your cash flows.
- Unexpected major capital expenditures on things such as boilers, roofs and parking lots.
- Attracting joint-venture capital.
- Managing joint-venture relationships.
- Securing institutional financing.
- Managing tenants (proper screening is a must!).
- Managing superintendents.
- Maintaining and up-keeping property.
- Keeping up with new rules and legislation.
- Keeping units fully tenanted.


include real estate agent, appraiser, home inspector and property manager. Before you quit your full-time job, seek part-time

employment in these fields. You can get your feet wet while still holding down your day job.

Month 36: Kiss your day job goodbye

You are now a seasoned real estate investor with the knowledge, experience and network to continue to add properties to your portfolio. You generate \$3,000 per month in positive cash flow from your income properties, and you can supplement that with income from your new real-estate-related career. As your portfolio grows over the years and your cash flow builds, you can determine when it's time to give up your real-estate-related career and focus solely on managing your portfolio.

PAUL KONDAKOS is the founder of RealtyHub, a website dedicated to helping investors generate wealth through multi-family properties. For more information, visit www.realtyhub.ca.

Paulo Shikanai
Owner / Manager

Kathy Berner
Owner / Manager /
Real Estate Agent
Ph. (306) 591-5439
kathyb@myaccess.ca

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