The Book
On Vancouver
Real Estate

The Book On Vancouver Real Estate

HOW TO BUY IT,

SELL IT,

AND

PROFIT FROM IT!

Gary Wong, MBA

Printed in Canada.

ISBN 978-1-5143-8134-2

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What buyers and sellers say about Gary Wong

"Gary Wong is an outstanding REALTOR. His ability to facilitate real estate transactions while measuring up to a very demanding client base is real, mostly due to a high level of attention to detail combined with a work ethic which is second to none. Gary was my REALTOR of choice when it came to purchasing my own home, and not only did he answer a thousand questions for me, but he also clearly outlined a path which made the transaction flow smoothly, introducing me to colleagues along the way, helping to ensure that financing was in place, and leading to new connections between new mortgage brokers and real estate lawyers. Gary facilitates a team approach to real estate, and truly cares about each of his clients. Complementary to his real estate skill is also a solid business acumen which allows him to demystify complex concepts in any transaction. His depth of knowledge is a breath of fresh air in an industry surrounded by those willing to take short cuts. His approach to his work is second to none, and I would recommend him without hesitation for your most complex real estate work."

VIREN THAKER, PRODUCT MANAGER, NORTH VANCOUVER

"As a new home buyer seeking all range of advices and assistance, Gary is extremely helpful in providing efficient, honest and productive service. I really felt that Gary has put my interest before anything else and made great effort during the negotiation process. I highly recommend him as an excellent agent and friend."

KIRK XU, CONSULTANT, COQUITLAM

"After more than 50 showings, my fiance and I finally found a home that we could see ourselves raising a family in. During this year-and-a-half long process, Gary was always patient and courteous. He always listened for our opinions first, before giving us his experienced viewpoint on a property. As first-time home buyers, we knew nothing about real estate and learned a lot from Gary. Flexible, friendly, and funny, we think of him now as more than just our realtor. He is incredibly personable, and cares more about his clients than he cares about making a sale. We are very grateful that we had him lead us through this process."

PAMELA & STEVEN FLEMING, TEACHERS, VANCOUVER

"Gary was very honest, ethical & professional when he helped us buy our condo. He gave us the pros and cons of buying a wood vs concrete condo, townhouse & detached house and never pushed us towards buying something we didn't want. He was available 24/7, spent hours talking with us and going through the process and was always on top of everything from start to finish. I'd highly recommend him!"

ALVIN & CAROL NG, BANKING PROFESSIONALS, BURNABY

"Gary was a great Realtor to work with. He helped us throughout the entire buying process and was always looking out for our best interests. Gary's honest, full disclosure, ethical approach to Real Estate allowed us to build trust with him immediately and we thank him for all his hard work. We look forward to doing more transactions with him in the future! We highly recommend Gary to anyone looking to buy or sell."

DR. KATE & LEBERT, PHYSICIAN AND CONSULTANT, DELTA

"Great to work with. Values clients' interests. Have patience to deal with the first time buyer. (If you can deal with the first time buyer, you can deal with anyone) A must have Realtor in GVRD!"

KEE NAM, IT PROGRAMMER, RICHMOND

"Gary was very helpful in the purchase of our first home. He set up several tours for us and we saw several properties and made several offers before we finally found our ideal home. Gary also helped us get a great price on our new home with his negotiation tactics. He was very patient throughout the entire process, always doing his best to serve us and was always available when we had questions. He was always punctual and honest and put our interests first which is why I would definitely recommend him to my friends in the future."

ZACH & TRACY SHENG, IMPORT/EXPORT, SALES MANAGER, DELTA

"I had been looking to purchase my first home but I wasn't in an urgent rush to buy, so I was looking for something that I felt would be a "great deal". My Realtor, Gary Wong, patiently worked with me for a period of 8 months to find my "great deal" and walked me through the entire process of purchasing and moving into my new home. I enjoyed Gary's no-pressure and honest approach when it came to making such a difficult decision in buying a home. During our search, Gary had always reminded me that there were always going to be more properties to look at, and if I felt any hesitation I could always walk away from a deal. Today, I am happily writing this from my new home as a proud new home owner! Thanks Gary!"

DAVID KO, ENGINEER, VANCOUVER

"We really appreciated the warmth and honesty, and realistic outlook of our agent, Gary Wong, as well as his attention to detail. He is a frank, honest, funny, no nonsense kind of agent, and we really loved this about him. He consistently kept us "in the loop" of information."

KELVIN & BETTY LEUNG, ENTREPRENEUR, COQUITLAM

"Gary has helped me throughout the process of purchasing my first property. He is very willing to research for the answers to all of my million questions as a first-time home buyer. Gary always puts priority on his clients' satisfaction and he has demonstrated a very high code of ethics as a realtor. Overall, I am really satisfied with his performance."

ADIARTO PRANOTO, IT PROFESSIONAL, COQUITLAM

"Gary has helped me buy my first home. As a first time home buyer, I didn't really know the process or many of the issues to consider when purchasing a home, but Gary really took his time and helped me through every step. He is very passionate about his career as a realtor and it really showed in my dealing with him. He was very honest, prompt and professional and he helped me find the perfect home. Thanks!"

TAE KYUNG YOON, BANKING PROFESSIONAL, SURREY

"We were very fortunate to have Gary be our realtor selling our condo. Gary proves to be the best realtor ever that we had worked with. Gary was very personable and having our best interest in heart through the sale process. Gary was very ethical and having great negotiation skill. Gary understands the market through his extensive and indepth research and experience. He guided us throughout the sale process. We highly highly recommend him to anyone that's selling and buying real estate."

GINA YU & DAVID MENG, BANKING PROFESSIONAL, SURREY

Preface

This book is a story. I saw a need in the industry and I sought to fill it. Life is about giving and sharing. It's about transferring what you receive in one hand and sharing it with others. If you are blessed, you are to bless others. If you acquire knowledge and expertise, you are to share it.

What good is it if you gain the whole world but lose yourself in the midst of it?

My goal is to bring awareness to the public. You see, when I first started I knew nothing and that's a great milestone to be at. Let me elaborate.

A long time ago…

I imagined what working for the government would be like. Was it as cushy or as comfortable as others said it was? Then I got a chance to work for the government and I saw a glimpse of that comfort and cushiness, the work environment, the culture, how they spent their money, etc… and I developed a little bit of understanding.

Then I worked in a union job and I thought about fairness and how the union was going to represent me and such, but as I worked in a couple of union jobs, I saw the pros but I also started to see the gaps and flaws in the system.

Then I worked in the corporate world and that was an eye opener too, being exposed to business done differently than the public sector and the unions and I saw the competitive nature and I worked there for a few years and I thought I knew about the business world.

Nothing could be further from the truth

I studied my way into business school and it was like I landed on a different planet. A couple of months into business school, I realized **I knew nothing about business**. It was then I learned how the directors and VP's in my previous company made decisions, their motives and why they did certain things.

I entered into business school thinking I knew the business world, but I was humbled in the 1st month, knowing nothing like a child. But thankfully, I exited business school as a man ready to take the world by storm.

I was studying my real estate licensing program at the same time I was doing business school and I had tailored everything I learned towards how to build my real estate business. It was rare to see someone doing his MBA for the purpose of using that to be a REALTOR®. In case you didn't know, you only need a high school diploma to be licensed as a REALTOR®.

I even did an industry analysis for my Strategy class in business school and I thought I was well informed. I came out of business school with this "take the real estate industry by storm" 15 page business plan, and I was overly confident about what I knew of the industry. A couple of months in the industry and the same realization came. **I knew nothing about real estate**.

Then further in my journey, I came across some home builders and the industry they're in. It's in the same industry, right? It's still part of real estate. By this time, I knew not to assume that I knew it all and I was smart to realize that. **I knew nothing about real estate construction**.

Lastly, I came across real estate investing and thought, "oh, it's just like the TV shows. Renovating and flipping, I think I know that." But again, after talking to some veteran real estate investors, I realized again, **I knew nothing about real estate investing**.

> **GARY's WOW**
> — WORDS OF WISDOM —
> The 3 most dangerous words in the English language are *"I know it"*.

When you realize you know nothing about an area of business, it's a great milestone to be at. If you have a "know it all" mentality, your arrogance will hinder you from actually learning and growing. Every time the reality that I knew nothing hit me in my journey, I incorporated the sponge mentality to learn as much as I could and that has made all the difference.

> **GARY's WOW**
> — WORDS OF WISDOM —
> When you realize you know nothing about… it's a great milestone to be at.

In real estate, when you learn, your confidence grows and you build real estate intelligence. You learn to think outside of the box and you don't always accept the norm or the standard. Just because things are always done a certain way doesn't mean there aren't any other ways of doing it.

As you can see, it's a great place to be at when you realize you know nothing. That's when learning can take place. There are so many people out there, getting involved in real estate, either buying, selling or investing and they are doing it without the real estate intelligence needed to do it well.

As a result, they are making costly mistakes, having financial setbacks and just running blindly.

I saw a lack of transparency in the industry and nobody was sharing the information I now know. On one hand, there are a few people here and there sharing tidbits of information in their blogs. But overall, it's really hush-hush in the industry with many wanting to just keep their information to themselves as if it were proprietary, patented information.

After being immersed in the industry, I saw an even greater need for the public to have access to this valuable information, at least have the basics laid out for them without them having to go out and dig it out on their own.

I have noticed that so many people have questions about the popular topic of real estate but the knowledge they obtain is often found by misinterpreted information obtained through news articles and online articles.

The answers are out there, but for some reason, there is so much secrecy in the industry. The good news is that for the first time ever, you are going to have access to this information. The box of treasures is going to be revealed for you. Are you ready to uncover the veil?

Are you ready for it?

I hope this book will open your eyes.

Actually, I'm confident it *WILL* open your eyes.

How to Claim Your FREE Bonuses

As a special thank you gift for purchasing *The Book on Vancouver Real Estate*, I have included an exclusive package of bonuses, valued at $199.00.

FREE Bonus Gift #1: Audio Interview with best-selling author and Chatting with Champions Founder, Tyler Basu (Valued at $20)

FREE Bonus Gift #2: Importance of a Good List Price – Key Pricing Tips To Consider Before Selling Your Home **<u>REPORT</u>** (Valued at $20)

FREE Bonus Gift #3: "Getting to Yes – Negotiating an Agreement Without Giving In" **<u>EBOOK</u>** by Roger Fisher and William Ury (Valued at $20)

FREE Bonus Gift #4: Mapping the DNA of Investment Property Insurance **<u>REPORT</u>** by Park Insurance Agency (Valued at $20)

FREE Bonus Gift #5: Why Real Estate Investing Makes Sense For You – Exclusive REIN **<u>REPORT</u>** (Valued at $20)

FREE Bonus Gift #6: 1-on-1 Real Estate Portfolio Investment Consultation (1 hour, Valued at $100)

I was recently invited to be a sponsor, MC and model at a Brooks Brothers event at their downtown location. During the networking, I was talking to a few people and one of them was a real estate investor. He was telling me about the real estate investments he had and offering advice about renting out to tenants.

My advice as discussed in the book was to increase the rent regularly but he shared about how he hadn't raised the rent for his tenants in years and how the tenants were very good, never causing any problems and treating his investment property like their own.

His perspective on raising rent was that the tenants would leave and his place would be vacant causing him a big headache. However, I helped him to see that there is a different way to look at it.

I shared with him that if you suddenly increase the rent, the tenants would be unhappy, but why not, have the conversation included at the beginning of the tenancy when you outline the tenancy contract.

Prior to that, I had shared with him how he could increase the rent and have his tenants ***gladly*** and ***joyfully*** pay for the premium.

I said to him, "If you add enough value to your tenants, your tenants would be a happy customer and would gladly pay the premium in rent".

Many of the secrets I shared with him are the exact same ones that are in this book. After sharing with him, even though he had been a real estate investor for years owning several properties in his real estate portfolio, he shared that he never knew about those particular strategies and he even mentioned that he would try them.

My conversation with him was only about 15 minutes long, but if you're in the Vancouver area, one of the bonuses of this book is that I will give you a 1 on 1, one hour consultation.

We will look at your real estate goals, analyze your current real estate portfolio and come up with strategies and action items to help you reach your real estate milestones.

All you have to do to get your bonus gifts is visit my website at: www.garywongrealty.com/bonuses

PART 1

Buying in Vancouver

CHAPTER 1

10 Critical Mistakes Buyers Make That Costs Them Thousands of Dollars and How You Can Avoid Them

In this chapter, I'm going to go through the Top 10 Mistakes 1st time buyers make when buying their 1st home. However, I'm seeing again and again, people who are not 1st time home buyers making these same mistakes as well.

Obviously, this is not an exhaustive list, but these are the mistakes that can cost a buyer thousands of dollars if they make them.

Are you making these mistakes?

1. Finances Not In Order

Mona was referred to me by a mortgage specialist friend of mine. They had been pre-approved and were ready to go. She came to me looking for a house that could house her family, her parents, her brother's family and her aunt and uncle. Mona's family was paying rent, her parents were paying rent and her brother's family were also paying rent.

They wanted a home with at least 8 bedrooms in Vancouver (close to her and her brother's work places). Their budget was around $800,000 and we tried to find something in Vancouver but there was nothing in that price range. New Westminster was their closest option but the homes we saw together just didn't fit what her family liked.

If they found a home like this, the money that was going to their landlords' pockets would be put towards the mortgage of the house. It was a good plan.

We decided to look a little further away and we looked at some homes in Surrey. After looking at several homes in Surrey, I found the perfect home for them, only 3 yrs old, was 5000 sq ft, 8 bedrooms, had a home theater room, close to transit, and it showed extremely well. I knew after the 1st showing, it was the place for them. After the 2nd and 3rd showing, we wrote an offer.

The seller countered our first offer and the listing agent told me that they received another offer, but since the seller countered our offer first, the seller was not allowed to counter the other buyer's offer. The ball was in our court and so we wrote a strong offer to avoid the other party from getting it.

The good news was that their offer on their dream home was accepted. The bad news is that they needed a late completion because they were waiting for a relative to help them with the down payment.

Their finances weren't ready and we were unable to get the seller to push out the completion date because they had a backup offer. As a result, Mona and her family weren't able to remove subjects and they lost the house of their dreams.

To avoid this situation, make sure you have your down payment in place before you go searching for your home. Many mainland Chinese make the mistake of searching for homes, making offers, only to find out that they can't remove subjects because they can't bring their money out of China.

Not only do you need to ensure you have a down payment, you must be absolute sure that if you require a mortgage, your lender has given you a **WRITTEN** confirmation that they will lend to you. **DO NOT** accept a verbal confirmation from the lender. There have been cases where the lender promised to lend only to deny it after the buyer removed their subjects.

In that case, the buyer must find a lender immediately who will lend them money or else they will risk not being able to complete on completion date and risk losing their deposit and the possibility of being sued for damages.

Another thing, make sure you **READ** the written confirmation from the lender. My client Joe told me that all his finances were in order and he had written confirmation and so we removed subjects on the apartment we made an offer on.

Two weeks before the completion date, the lender tells Joe that they're not going to lend to him. He contacted me and I was confused. I reminded him of the written confirmation he received from the lender but I don't think he read it. He never showed it to me but as he read it to me at that moment, it basically said that the lender would lend to him if they received some strata documents.

One of them was the depreciation report. The depreciation report is a report that strata councils are mandated by law to have done by an engineering company. The engineering company goes to the strata complex, assesses the building's condition inside and out and estimates future repairs, analyzes the financials, strata fees, contingency fund, and drafts up a report.

Typically, the depreciation report will forecast if upcoming special levies are needed based on the current financials and which areas of the complex are in need of repairs.

More info can be obtained here: www.housing.gov.bc.ca/strata/regs/ and you can download a depreciation report guide here: www.housing.gov.bc.ca/pub/stratapdf/Guide12.pdf

The apartment that Joe wanted to buy had completed a depreciation report but the report was not finalized yet. The lender and Joe both knew that the report was not available.

To make a long story short, Joe worked with the lender's mortgage representative and finally the lender agreed to lend to Joe if they got a letter from the property management company saying that the depreciation report was indeed unavailable. A couple of days before the completion date, we got that report and the lender gave Joe the mortgage.

2. Getting Sucked Into A Bidding War Frenzy

I've gone through several multiple offer situations with my clients and I've never let them get caught up in this. Multiple offer situations are not bad. Many people think that if they get into a multiple offer situation, they're going to end up paying too much, but that is a myth.

If you have done your due diligence or your REALTOR® knows what it is worth, then you are generally safe from overpaying.

The problem is, even if you know what the home is worth, because of the environment and atmosphere of a bidding war, you can easily be emotional in the process and end up making irrational decisions, like paying whatever in order to win the bidding war.

Sometimes, you'll be able to predict whether a property will end in a multiple offer situation. If you learn and study the market and know what homes are selling for, you'll anticipate a bidding war when you come across a property that is priced very well. I'll share with you in a later chapter on how you can study and learn the market.

This is the process I typically go through with my clients.

Step 1: I look at the asking price, analyze what the home is worth, the price range it will likely sell for and what the current market conditions are. I can then determine whether the home is undervalued or overvalued and whether it's likely to have a multiple offer situation.

Step 2: I ask the listing agent to see whether they have received any other offers or whether other REALTOR®s have told them that that they're going to receive other offers. I disclose my findings to my clients before they make an offer.

Step 3: If there are no offers present and it's unlikely that other offers will come in, I will look at how well it's priced and devise a negotiation strategy on how we are going to write the offer. I will go into negotiation strategy at a later chapter but I will usually advise my clients to write a low offer (but not too low).

One of the fundamental rules in negotiation is to never write an offer that will offend the seller. Selling a home is an emotional process for a seller and if you offend them, you have basically set yourself up for a huge disadvantage.

GARY's WOW

— WORDS OF WISDOM —

Never write an offer that will offend the seller.

Step 4: If we enter a multiple offer situation, I will further remind my clients of the analysis of market value, market conditions, comparables and most importantly will find out what my client's WTP (willingness to pay) is.

WTP is what a client will be comfortable in paying for something based on their desire. An iPhone may be worth $300 (market value) but if a buyer just lost their phone and needed a replacement immediately, they may go to Craigslist and pay $320 (above market value) if they are able to get their hands on the phone within a few hours.

At this step, I will also talk about the pros and cons of writing a subject free offer and let them decide what they would like to do.

Step 5: Once my client's WTP is determined, then I will generally advise my client to write their highest offer, not to exceed their WTP. I don't want my client to pay more than their WTP even if they can afford it because then they will have exceeded their comfort threshold and even if they win the bidding war, they may have buyer's remorse.

Buyer's remorse is a state where a buyer feels regret or remorseful because they feel like they overpaid for something.

The challenge here is twofold. I have to determine how much they like the property and whether their WTP reflects that. Then I have to convince them to write their highest offer based on their WTP. You see, buyers innately want to pay as little as possible and will want to pay less than their WTP.

To figure out what my client's highest WTP price is, our conversation would look something like this:

Client: "Gary, let's give them $500,000"
Gary: "Ok, if the home sold for $501,000, would they be ok with that?
Client: "I would feel horrible, I would pay $501,000 for it"
Gary: "Then $500,000 is not your highest WTP, if the home sold for $505,000, would you be ok with that?"

And the conversation would continue until we would come to a figure that if the home sold for a dollar more, they would be ok with it because they had reached their highest WTP threshold. Remember, a client's WTP is the highest price they would COMFORTABLY pay for a product or service.

At the end of the day, I want my clients to buy something with the peace of mind and be comfortable with that. No one wants to uncomfortably win a bidding war to buy a home.

There are actually some strategies you can implement to maximize your chances of winning multiple offer situations and I will share those with you in a later chapter.

3. Not Doing Home Inspections

There are very few cases where a home inspection is unnecessary. A few of these exceptions may include:

- You're buying a home with the sole intention of tearing it down immediately.
- The home is completely brand new with a warranty.
- There was a recent home inspection done on the home and you viewed the report.
- You work as a home inspector and when you walked around the home, you inspected it visually.
- You have deep pockets to take care of any disaster that may spring up.

Some of the reasons why buyers don't do home inspections may include:

- They don't want to pay $400 to $800 for the home inspection.
- They are caught in a multiple offer situation and they want to write a subject free offer

- They don't think they need one and think they can just visually inspect the unit and know the issues.
- They would like to buy the home for below market value so they want to entice the seller by writing a subject free, cash offer.

When you buy a used car that's thousands or even tens of thousands of dollars, it's common to take the car to a mechanic and pay them $80 to do an inspection. So, why wouldn't you pay a couple hundred dollars for a home inspection for a purchase that is going to be several hundreds of thousands of dollars?

In a multiple offer situation, it is common to write subject free offers **BUT** who says you can't do a home inspection prior to writing a subject free offer?

Listing agents often allow buyers to do home inspections before writing the offer for the purpose of writing a subject free offer. Yes, there's no guarantee that you'll win the multiple offer situation and so there is a possibility that you'll feel like you wasted a couple hundred dollars on a home inspection, but the risk of you not doing one could cost you thousands.

Besides, doing a home inspection prior to writing a subject free offer, you have the peace of mind that the home is in good condition. Or, you could find that the home inspection educated you into what's wrong with the home and you could budget that into what kind of subject free offer you will write.

Or, the home inspection results could come disastrous and you figure that it's not even worth making the offer and that would have saved you from buying the wrong home.

GARY's WOW

— WORDS OF WISDOM —

ALWAYS do your due diligence.

If you want to make a below market value offer and want to entice the seller with a subject free offer, you can still arrange for a home inspection to be done prior to writing the offer.

When do you do your due diligence? In certainty or in doubt? The answer is ALWAYS.

4. Subject Free Offers

We talked about the usefulness of doing your home inspections prior to writing a subject free offer. But there are other clauses in an offer that will protect you when you're buying a home. If you don't have a REALTOR® representing you, make sure your lawyer is drafting up your offer and is giving you advice on which clauses to use.

I will be going into detail in a later chapter of the main clauses you should use. But, there are often cases where buyers write subject free offers, get the price that they wanted, and upon possession date, they realized that the appliances don't work. Or, the house is a mess with lots of junk lying around for you to clean up.

Or, you realize the home's electrical had been tampered with and the home used to be a grow op.

Many buyers think that when writing a subject free offer, it means that there are no terms or conditions to the offer. However, just because your offer has no subject clauses, doesn't mean you can't have conditions in the offer.

For example, let's say you are buying a condo and there have been a history of special levies. One of the conditions you may want to write is one that mentions that the seller will pay any special levies that are assessed to the seller prior to the completion date.

Or, if the strata bylaws said that pets are allowed but suddenly changed to no pets prior to completion date, wouldn't you as the buyer want to know that in case you had a pet?

Make sure the person writing your offer is educating you about the different subject clauses and terms and conditions for the type of home you are buying.

My job is to disclose to my clients whatever they need to know and then leave the decision up to them. If I fully disclose what kinds of subject clauses, terms and conditions there are, and my client is still prepared to write a subject free offer, I am much more supportive and have the peace in my mind knowing my client is making an educated decision.

5. The Local News is Not Real Estate Advice

One of the things I found after entering the industry was that there were discrepancies between what I learned in the industry about the market and what was published in the newspaper or published online.

Some of what I read online has a little bit of accuracy but because the typical buyer or seller does not know how to interpret the information correctly, they are easily misled by information presented in a news article.

Average home prices in the city do not really mean anything for a home buyer looking to buy in a high end neighborhood, nor does it mean anything to someone who's buying a very unique property type.

Here are a few reasons why you should not take advice from the local newspaper:

- It's typically not up to date. I read articles all the time where they say that a particular area is booming, and I say to myself, "Yes, I know that. It's been booming for the past 3 months". Writers and reporters typically write on the market trends when it becomes public so it's often outdated.

- Writers and reporters often take miscellaneous statistics such as median home price, average home prices, and number of listings in the city, but it doesn't help a buyer or seller looking to buy or sell in their own particular neighborhood. Those statistics give a very general bird's eye view but just because average home prices increased 3% from last month, doesn't mean your house should be priced 3% higher.

There are many, many factors at play to determine your home's market value.

To avoid being misled by the news, try talking to real estate professionals. Talk to mortgage brokers, REALTOR®s or appraisers and they are likely to be able to give you a much more accurate picture of what's going on in a particular neighborhood.

6. Looking At Too Many Homes (Analysis Paralysis)

Some buyers like to look at every home on the market before making a decision. I don't mind as long as they know what usually happens if they do that.

Buyers either get overwhelmed as they've seen too many homes with too many options and they have no idea what they want. Imagine if you went to the movie theater and you wanted to order a large Coke and there were 10 sizes, 100ml, 200ml, 300ml, 400ml, 500ml, 600ml, 700ml, 800ml, 900ml and 1L and 10 different prices that were all over the place.

You just wanted to order the medium Coke, but now all of a sudden, you are given a 300ml option, 400ml option, 500ml option, etc… How much Coke do you exactly want to drink?

Just thinking of that makes me stressed.

One of the other consequences of looking at too many homes is that buyers often forget what they looked at after they look at a certain number of homes.

Of course, that number depends on the buyer. Some buyers think looking at more than 10 homes is too much. Some buyers think looking at more than 50 homes is too much.

Therefore, when I take my buyers to go look at homes, I ask them how they would like to see the homes. Do they want to see 1 or 2 homes every time we meet? Or, would they prefer us go on a tour of 8 – 10 homes?

When I go on office tours with my coworkers, we usually see about 6 – 8 homes at most, but we spend about 5 min per home, but because of commute, that usually takes about 2 hours.

If you are going out to look at homes, make a plan of how many homes you plan to see at one time. Make sure you print out feature sheets or take mental or physical notes or even pictures of the homes you see so you'll remember.

I would recommend seeing somewhere between 5 and 10 homes each time and go home and filter out those that just don't fit what you are looking for. Maybe you'll end up with 0, 1 or 2. You do this a few times and you should have a pretty decent list of shortlisted properties that are worth taking a look a second time.

After the 2nd showings, you can further filter out the ones that aren't that great and then you can narrow down the list to 2 or 3 that you want to write an offer on.

If you do this, you'll prevent the common analysis paralysis condition from trying to analyze too many homes at one time.

The next 2 mistakes buyers make are specific to Single Detached Homes.

7. Not Doing Oil Tank Inspections

Similar to not doing home inspections, this has increasingly become a problem in Vancouver.

If the home you want to buy was built before the 1970s, there may be a UST (underground oil storage tank) on the property. If it exists, it may be underground, above ground or both.

You see, years ago before natural gas heated homes, homes were built with a UST using oil to heat the home. When natural gas became available and were hooked up to the homes, the UST's were often decommissioned, disconnected or filled with sand.

Because the UST's were not removed at the time, they were exposed to natural deterioration as many buried underground rusted, corroded and leaked oil causing soil and groundwater contamination.

So, how does this affect a buyer? Well, in Vancouver, if a UST is found on the property and it has not been in use for over 2 years, it must be removed unless it's impractical to remove it. One case would be if the UST was directly underneath the home instead of being located in the front or back yard.

Upon removal, if contamination is found, then the owner is liable for all the costs to remediate it. Not only is that not cheap, but if the oil leaked into neighboring properties, the costs can quickly escalate into tens of thousands of dollars for remediation and the owner may face legal liability under various statutes and bylaws for the contamination.

Not to mention the presence of an oil tank greatly reduces the market value of the home.

I always recommend my clients to put an oil tank clause in the contract if they are writing an offer on a home built before the 1970s. I will reveal the exact wording of the clause in a later chapter but it basically protects the buyer and makes the seller solely responsible for the oil tank and remediation if it exists.

What if I bought a home, without checking if there's an oil tank or not?

Here's my recommendation:

Step 1: You can hire an oil tank inspection to be done for about $250. Before hiring one, you may want to ask the previous owners to see if they know of the existence of a UST. You can also call your local city hall to see if they have any records of the decommissioning or the removal of a UST at the property.

You can also visit the provincial government's Contaminated Sites Registry, at www.bconline.gov.bc.ca and conduct a registry search that may contain information on your home or surrounding areas that may have been investigated.

Step 2: If the oil tank inspection company finds an oil tank, they can remove it for you according to the requirements of the local municipality.

Step 3: If a leak is found by the oil tank inspection company, they may notify the municipality and under the Environmental Management Act (EMA) you are required to hire an environmental consultant to test the soil for contamination and the severity of it. You can access the EMA online here: www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/03053_00

Step 4: Under the EMA, you are required to remediate the contaminated areas and incur the costs as required. The environmental consultant will provide guidance on the steps to take to remediate the soil.

Step 5: If the site investigation reveals that the leak may have gone over to neighboring properties, there is an obligation to disclose that information to the owners of the neighboring properties.

Step 6: If neighboring properties may have been contaminated, contact your insurer because the third party liability portion of your insurance policy may help cover for costs of the remediation.

There are many ways to recover the costs that you will need to incur. I would contact a lawyer that specializes in dealing with oil tank law suits. The lawyer may be able to help you recover your costs by going after the previous owner depending on the situation.

If you don't know one of these lawyers, contact me and I can recommend one for you.

Here are some additional resources regarding oil tanks:

- www.vancourier.com/living/travel/have-you-dug-up-and-removed-your-oil-tank-1.379564
- www.rew.ca/news/underground-oil-tanks-what-you-need-to-know-1.1341778
- www.geoscan.ca/oil-tank-locating1.html

If you're looking for a recommended oil tank inspection company, let me know and I can recommend a few for you as well.

Don't worry about memorizing all these links, you can find more information and resources on www.garywongrealty.com and contact me anytime and I can give you these free resources.

8. Relying on Unauthorized Accommodations

You've probably heard it before. "Everybody rents out their basement without a permit, it's ok, nobody checks…"

If you're relying on the rent from a basement suite that is not a legal suite to cover your mortgage payment, I would be cautious. If a nosy neighbor complains to the city for whatever reason, maybe the tenant was having a party or something, the city will send an inspector to your home and require you to either kick the tenant out and/or meet the requirements to make the unauthorized suite a legal suite.

Usually, there are certain renovations you need to perform in order to make your suite legal and if you are relying on that rental income to cover your mortgage, then you may end up spending more money just to legalize your suite.

"Yah, but my neighbor is doing that too, my neighbor won't complain"

Think again, if your tenants are taking up additional parking in the front, an anonymous phone call to the city is not that hard for someone to make.

Haven't you been reading the news? The city of Surrey has hired 2 full time officers to crack down on illegal suites. You can read the article here: www.news1130.com/2014/02/13/surrey-looking-online-to-crack-down-on-illegal-suites/

It's only a matter of time before other municipalities follow suit.

Personally, I know clients who have had their neighbors report them and I also know clients who haven't had that problem. I make sure to disclose the potential risks to my buyers and let them decide.

The last 2 mistakes buyers make are specific to Condos/Townhomes.

9. Presales Are Not A Guaranteed Money Maker

In the early 2000s, the real estate market in Vancouver was booming. People were buying presales and within months, they were able to assign the contract to another buyer and make thousands of dollars.

The times have changed and though the market is currently booming at the time of this writing, buying presales doesn't mean you can assign it after a couple months and make a profit. A few things I have noticed have changed since then.

Developers are now including in their contract that there is usually an assignment fee of 2–3% if you assign the contract before the completion of the development. Also, there is often a clause that says that you cannot list the property for sale until all of the developer's units have been sold so that you are not competing against the developer for buyers.

Therefore, because of these restrictions and a number of new developments available and new presales, it's not as lucrative as before.

Nowadays, it's not that you can't make money from presales, but you just have to be very careful.

So how can I tell which presales are good?

You can make money with presales but you just need to be a little picky. The following below are some criteria I use based on business principles to determine whether a presale is good and which units to buy that have the greatest chance to make money.

Uniqueness Factor: Is the presale development unique in some way? Is it the city's first LEED Platinum certified building? Does it have Geo-thermal heating where other developments in the vicinity do not? Does the development have some sort of technology that has never been used in that city?

People will pay a premium for something that is unique.

Supply/Demand: Are there a lot of similar developments nearby? There may be other presales in the area, but the key word is "similar". If the development you're looking at has air conditioning but all of the other presales nearby do not, then there is a low supply for that kind of development.

When there is a low supply, there will be a high demand and hence, that development will be able to command a premium on price. Likewise, when there is a high supply in an area, the area has already become saturated and a new presale coming to the neighborhood is not going to be that popular.

Developer's Reputation: Is the developer reputable? Are they really new? Are they trying to build a high end development when their track record has been developments that were targeted for the middle class?

Take a look at how popular the developer's other developments are. Are they selling really well or are there leaky condo issues with them? Get inside knowledge.

Try to ask your REALTOR® or some home inspectors as they are the ones who often have the inside information on which buildings in the city have had major floods and other issues. Home inspectors inspect a lot of buildings and REALTOR®s read a lot of strata documents that reveal what's going on.

Community Development: When I look at a presale, I look at what's happening in the community. What is the city going to do in that area in the next 5, 10 or 15 yrs? If there aren't many plans available, I would be a bit cautious, but if other developments are pending and schools and infrastructures are going to go up in that area, then there'll be a influx of people in that area.

When there's an increase in population, then there will be a decrease in rental vacancy. Then, there will be an increase in rental demand which will result in an increase in rental rates. This also leads to an increase in real estate prices.

Timing: When are you buying the presale? This is important for a number of reasons. When a development is launched, the developer first sells units to the developer's friends and family at the lowest price. Then, they host a REALTOR® VIP preview and set up times for REALTOR®s' clients to buy next.

Then, after that, a public grand opening is scheduled for the development to be available to the public where the prices will likely have increased since the REALTOR® preview. You may have heard of developments of 300 units selling out within hours of a public grand opening. For these extremely popular developments, **THE TRUTH** is that of those 300 units, 150 units were probably sold prior to the public grand opening.

Within two months of the public grand opening is probably when another large chunk of units will be sold and the prices may have increased again as the developer has sold enough units to obtain financing for the development.

As more and more units sell, the developer has more and more confidence in the demand and desire for the development and so there is little risk if they increase the price.

Therefore, if you are hearing about the presale a few months after the public grand opening, chances are, most of the good units have been sold unless the developer has held back on the release of some units which they often do on purpose.

Not only have some or all of the good units been sold, the prices will likely be higher than if you had bought at the very beginning.

If you're interested in a particular development, I recommend talking to a REALTOR® for early VIP access so you are able to take advantage of early purchase incentives.

The Unit: Lastly, after you have assessed the other factors above and you have decided that this presale development has incredible potential for asset appreciation, it doesn't mean that you just buy some random unit and expect that it'll go up in value.

Go for the units that are unique. For example, there are only a few penthouse units in a building, buying one of those is tapping into the scarcity factor. Penthouse or sub-penthouse units often have an incredible view and often have access to a roof top deck that other units don't have and some have high ceilings as well.

You may not want to buy the most expensive units in the building such as the penthouses, but perhaps certain units have a large terrace that others don't. Maybe they are high enough in the building that they have an unobstructed view of the ocean or mountains.

The direction the unit faces is also important. Is it facing the side with the low rise buildings or is it facing the side with the high rise buildings? Are there potential developments coming up that may potentially block the view?

When I recommended a few of my clients to buy a presale in Burnaby, I chose one presale development that met all the criteria I mentioned. I incorporated all of the items mentioned above and at the time we made the purchase:

- It was to be the tallest building in Burnaby.
- It was the only building in the area that had air conditioning and geo-thermal heating and cooling.
- The community plan indicated that the area was going through massive change and development in the next 5 years.
- The development had a strong well known commercial anchor tenant at the bottom of the building.
- The units we selected were the ones right below the sub-penthouse so we didn't have to pay a premium for

the penthouse units but we were able to enjoy the benefits of an unobstructed view and 10' ceilings.
- The direction of the units we selected were on the quiet side and it had the best view (North Shore mountains) with no developments that would obstruct the view for the next 5 years
- We bought early enough so my clients were able to get early purchaser incentives and a discount on an additional parking stall

10. Strata Documents Are A Must Read

If you are buying the home without a REALTOR®, you must obtain, read and understand the strata documents. If you are buying the home with a REALTOR®, you still need to obtain and read the strata documents. You might not understand all of what you are reading, but that's why you have a REALTOR® to help you if you have any questions.

The most important strata documents to obtain are the following:

Annual General/Meeting Minutes – In a strata complex, there will be a strata council and they have regular meetings every month or few months to talk and minutes are taken at these meetings to present a report to the owners of the strata complex.

Usually, when buying a condo, you will just need to read the meeting minutes that are recent and relevant. So, the last 2 years of the meeting minutes is usually sufficient to paint an accurate picture of what has been going on in the development.

If you want to know if the strata complex is safe, any break-ins or theft or incidents with the police will be recorded in the meeting minutes. Any issues with problem tenants will also show in the meeting minutes. Any floods, structural damages and upcoming special levies will also be discussed.

Routine maintenance repairs will be discussed here and the strata council will discuss how to go about obtaining quotes and such.

Most strata complexes will be working with a property management company and you can see how proactive the property management company is based on the actions they take which is recorded in the meeting minutes.

Annual General Meetings are held yearly and the agenda usually consists of items that have been discussed in the regular meeting minutes but require a vote in order to determine the next steps.

Rental Disclosure Statement – This document is crucial because it outlines the rental guidelines of the complex. If the complex allows rentals or has a limited number of rentals or prohibits rentals, this document will outline this information.

Bylaws – Does the complex allow pets? What are the rules and what are the consequences of breaking them? This document will outline the strata's bylaws and will usually also further clarify the rental bylaws. For example, if the complex allows rentals, it may describe whether daily or weekly rentals are allowed, so this is a crucial document to go over.

Form B – This document provides a good summary of the unit you are buying. It outlines the strata's contingency reserve fund (basically the Strata's savings account), the monthly strata fee, the parking stall and storage locker and whether the strata owner owes any money to the strata council.

When buying a unit, the listing agent will often tell you the information above but they may not have the most accurate and up to date information. The Form B is drafted by the property manager and it is dated so you can rest assured that the information provided is accurate.

Depreciation Report/Engineering Reports – As mentioned earlier, the depreciation report is a report where strata councils are mandated by law to get done by an engineering company. The engineering company goes to the strata complex, assesses the building's condition inside and out and estimates future repairs, analyzes the financials, strata fees, contingency fund, and drafts up a report.

This report is often around 100 pages long and contains a lot of technical information. I often forward the depreciation report to my preferred home inspector prior to the home inspection and when he meets with my client, he is able to provide a clear verbal summary of the report to my client.

Engineering Reports are done when strata councils need to hire an engineering company to assess the building's roof, foundation, building envelope, balconies, etc. These reports will assess the condition and recommend specific repairs or replacements and are really important to read because they can sometimes foreshadow upcoming special levies to come.

Financial Statements – You don't need to be an accountant to understand the financial statements of a strata complex. The important thing you want to look at is whether the income (strata fees) that they receive is covering the expenses. If they are not, you may want to investigate why that is the case and what steps the strata council has taken to correct this.

Maybe there were some unexpected expenses in that particular year that caused it or maybe they haven't increased the strata fees for a long time.

Strata Plan – Last but not least, you want to look at the complex's strata plan. You will be able to determine the exact square footage of the condo using this and you will also be able to determine whether your parking stall is classified as limited common property or common property.

Common property is the property in the complex that belongs to the strata. This may include the hallways, the electrical room or the courtyard.

Limited common property is like the balcony in the condo. It belongs to the strata but that land has been given exclusive rights to the unit owner to access it.

Therefore, when you look at the strata plan, if the parking area is labelled as common property, it belongs to the strata and so the strata has the right to move you to another parking stall if they choose to. However, if the parking area is labelled as limited common property, it still belongs to the strata but the rights to use it have been exclusively given to the owner of the strata unit.

CHAPTER 2

How I Helped My Client Make $1,000,000 In 1 Year By Winning A Bidding War Against Multiple Offers

It was another routine day of checking the new listings on MLS and sending Mr. Chow some properties that I felt he would be interested in. Suddenly a property on a prominent street in the Westside of Vancouver came up. I had been checking the market daily for months and I had seen very few properties on this street for sale.

My client was a builder/investor and he was looking for homes selling at land value and this was a prime opportunity for him. I quickly notified him of this, did the analysis of the sales in the area and drove to the home to see the surroundings. The home was asking $3.1 million and accepting offers a week later.

Upon receiving the analysis, my client agreed with me that this was an opportunity that couldn't be missed. He asked me what offer to make and because there were very few homes in the past year or two to compare, this property didn't have many accurate comparables. I told him that the selling price will depend on whether there will be a multiple offer situation and how many offers will be submitted.

But, market value for the home was around $3.5 to $3.7 million, but it could easily sell for up to $4 million. Based on basic demand and supply logic and the scarcity factor and the pristine location, this was a guaranteed money maker. I was incredibly confident that this was a great buy.

We ended up writing a subject free offer for around $3.5 million and we won against 4 other offers. A year later, that property was worth around $4.5 million.

There are some key takeaways to learn from this and below are 5 tactical secrets I use to help my clients win bidding wars.

1. Write Subject Free Cash Offers – If you're in a bidding war, cash offers are king. It is uncommon for sellers to take an offer with subject clauses over a subject free cash offer UNLESS the offer with subjects is MUCH higher than the asking price. If you're looking to win, do your due diligence and write a subject free cash offer.

2. Include the Deposit – In multiple offer situations, it is common to see multiple offers that are subject free cash offers. So how can you make your offer stand out? Include a copy of your bank draft deposit with the offer. This shows that you are really serious.

There have been cases where sellers have had subject free offers written but before the deposit was handed over, the buyers took off to their home country and normally sellers can sue a buyer who walks out on a contract but the buyer can only be sued if the sellers can find them.

3. Do a Home/Oil Tank Inspection – As I mentioned earlier, listing agents will often let buyers do a home inspection prior to writing an offer. If you're planning on writing a subject free offer and you are buying the place to live in it yourself, I would highly recommend you to get a home inspection. If the home was built before the 1970s and there's no record of an oil tank being removed, I'd recommend getting an oil tank inspection as well.

4. Get Required Documents Ahead Of Time – If you're buying a single detached home, you want a copy of the title search and PDS (Property Disclosure Statement) ahead of time. The title search will let you know whose name(s) are on title for the property, how many mortgages are on the property and the types of easements on the property.

The PDS is a testimony from the seller of what they know of the property, whether the walls are insulated, whether there has been a grow op there, etc… This document can be used in court if the seller falsely discloses something on the document.

Sometimes, if the property has been rented to a tenant for a long time, sellers will just cross out the PDS because they do not know the answers and do not want to be legally liable for falsely disclosing something.

For condos, you will want to get the title search and PDS and also the strata documents (meeting minutes, depreciation/engineering reports, strata plan, rental disclosure statement, form B, bylaws)

5. Discover What Seller's Interests Are – It's a common misconception that all sellers just care about price. Maybe the seller wants to sell the house with a rent back option for a period of 6 months so the seller can take their time to shop for a new home. So, a subject free offer may contain a clause that allows for the seller to rent back.

Maybe the seller wants a short completion date of a few weeks because they're moving out of the country or maybe the seller wants a long completion date. Maybe the seller is moving out of the country and needs to sell all the furniture too so you may be able to help the seller by paying a little more so the seller doesn't need to sell the furniture separately.

Before writing your offer, find out what the seller's interests are and whether you could accommodate those requests. There are many cases where the seller didn't accept the highest offer and instead accepted a lower offer that had the seller's ideal terms and conditions.

CHAPTER 3

Must-Have Subject Clauses In Your Offer That Will Save You Thousands Of Dollars?

When it comes to writing offers, there are some key subject clauses and conditions you want to use to protect yourself from the risks associated with making a huge purchase.

My clients often ask me, "What's the difference between a subject clause and a condition?"

When buyers make offers, they often make offers with subject clauses. These are terms that must be fulfilled by the buyer or seller in order for the purchase to continue. The contract will often have a deadline for when these terms need to be fulfilled. The deadline is known as the subject removal date.

Note: there can be multiple subject removal dates if the buyer so chooses to remove certain subjects earlier than others.

When the subject clauses are fulfilled, the buyer will have the choice of removing the terms or subject clauses.

Even if they are not fulfilled, the buyer has the option to remove the subject clauses on the subject removal date as the subject clauses are often for the sole benefit of the buyer, which means that they need not be fulfilled if the buyer chooses.

Upon subject removal date, the buyer will remove the subjects by signing an addendum that states that the buyer will be removing the following subjects.

Conditions are items on the offer that the seller must fulfill. The seller has to do these things and if the seller doesn't do it, they are in breach of the contract. These conditions do not get removed on the subject removal date.

For single detached homes, these are the subject clauses I typically use for my buyers. Please note that depending on the home and the kind of offer you are trying to write, the clauses used may vary a little bit. The wording that actually goes on the contract is a little different from what I will write below because it uses more legal jargon but you get the idea.

Subject To The Buyer Receiving And Approving A Title Search

For any property you're going to buy, there will be a title search that is available from the Land Title Office. This document states some important information.

First, it states whose name(s) the property is registered under.

That's important because when you're writing your offer you have to put the correct legal names on the offer for it to be withstanding in court.

Second, this document also shows what charges and mortgages are made against the property.

This is important as it may show the number of mortgages on the property or even if there are any potential liens against the property. REALTOR®s have a basic understanding of the title searches, but if buyers want a comprehensive understanding of the items on the title search, a lawyer should be consulted.

Third, the title search shows if there are any easements that have been registered.

An easement is the right to be able to use the property of another. Let's say there's a lake near your home. To get to the lake, one must drive through a road on your neighbor's property in order to get there. So, on your title search, there will be an easement saying that you have the right to use that road to get to the lake.

Another type of easement forbids something from occurring on the property. For example, let's say your home is on a mountain side. There may be an easement on your property that forbids you from constructing a tall structure that blocks the view of your neighbor.

A statutory right of way is a type of easement that allows someone to pass by or go on your property for a particular reason.

When I was working with Bert to buy a home in Delta, I noticed that the title search had revealed that the City of Delta had a statutory right of way.

I did some further investigation and it revealed that at the far end of the backyard, there was a storm sewer underneath the ground. The right of way allowed the City of Delta to go on to this property and maintain and repair the storm sewer underneath the property's backyard if there ever was a need.

The sellers said the city had never gone on to the land. My buyer, Bert wasn't really concerned. It just meant they couldn't build a tool shed or any structure at the far end of the backyard if they bought the house.

Anyway, it's important to find this information because my buyer may have had specific plans for the backyard and if this right of way hadn't been noticed, it would have been an unhappy surprise.

Subject To The Buyer Receiving And Approving A Pds (Property Disclosure Statement)

As I mentioned earlier, the PDS is a testimony from the seller of what they know of the property, whether the walls are insulated, whether there has been a grow op there, etc… When I'm writing offers for my buyers, I almost always include this subject clause.

If the seller leaves it blank or crosses it out because they didn't live in the property or for whatever reason, it sometimes raises some red flags, but it depends on the situation.

This document also has a section at the end of the document that needs to be signed and dated by the buyer to ensure that they have read it and approve of it.

Subject To The Buyer Receiving Satisfactory Financing

99% of the buyers out there will need financing. Even if they have the money to buy the property in full, they will want to obtain financing so that they can leverage their money to buy other properties.

If my buyer has $1,000,000, rather than pay all in cash and buy 1 property at $1,000,000, he would rather put a 20% down payment of $200,000 and buy this $1,000,000 property and repeat that 4 other times. At the end of the day because of the power of financial leveraging, he would have 5 $1,000,000 properties instead of 1.

The thing buyers need to watch out for when trying to get a mortgage is that a pre-approval is not very helpful. What I mean is that when you go to a lender and ask what you can potentially borrow, the lender will gather documents from you, do some analysis and calculations and then give out a number that they can lend you.

However, this number (usually on the conservative side) is just a POTENTIAL amount that they can lend you. There is no guarantee that they can lend you this amount when you actually need the money.

What I tell my clients is that the first step is to get pre-approved, but that's only the first step. After you write an offer with a subject to financing clause, you have some time (usually a few days to a week) before you need to remove this subject clause.

During this time, you go to your lender with the accepted offer, and provide the lender with the documents they require and wait for them to give you a FIRM approval. Now this next point is crucial.

DO NOT simply accept a verbal confirmation from the lender saying that they'll lend to you. You MUST receive a written confirmation from the lender. Typically, the written confirmation will be subject to certain things, such as an appraisal, receiving documents, etc… or they may provide you an unconditional written confirmation after they get the appraisal, receive certain documents, etc…

I was working with Henry and helping him to buy a property. Originally, he was pre-approved to buy a property of around $550,000. He was looking for a house or duplex in Burnaby. As we searched for weeks and then months, we couldn't find a house in that price range and we couldn't find a duplex that he liked. We wrote offers on a few but those didn't work out.

After about a year, he finally decided to start looking at apartments and he saw a condo that was around $280,000. It met the criteria he was looking for. We wrote the offer, got it accepted and we were working on removing the subjects.

I had been educating him throughout the year about everything he needed to watch out for. He knew that I told him to get a written confirmation from the lender if he ever got an accepted offer.

So, for this apartment I asked Henry whether he received confirmation from the lender and he said yes he did. So, we removed the subject clauses and the deal was firm. 2 weeks before the completion date, the mortgage person that my client was working with told him that the lender wasn't going to lend to him.

I was surprised. I asked Henry about the written confirmation that he received and it was at this point he told me that the confirmation was contingent upon receiving some strata documents including specifically a depreciation report.

I said to Henry that his mortgage broker knew on the subject removal date that the depreciation report was not available. The mortgage broker and lender must have read the strata minutes and the strata minutes clearly stated that they completed a depreciation report but the report was not available yet.

So, it shouldn't have been a surprise to the lender and mortgage broker that we didn't have the depreciation report.

What happened was we fought really hard and pushed the listing agent and the property management company to provide the depreciation report. At the end, the lender changed their mind and said that they'd lend if we could provide them with a letter from the property management company saying that they didn't have a completed depreciation report.

We did that 3 days before completion date and the deal closed.

I had heard about these cases where lenders changed their minds about lending to buyers, but I thought it wasn't that common. But I was wrong. This was an actual experience of mine.

The lesson I want to emphasize again is to **MAKE SURE** you get a **<u>WRITTEN CONFIRMATION</u>** from your lender promising that they'll lend to you.

If the lenders don't lend to me, what's the worst that could happen? What are the consequences if I don't complete on the completion date?

Well, by this time, the deposit is likely in the buying agent's real estate brokerage's trust account. The seller will have dibs on the deposit.

But, to go into more detail, in order for the deposit to be released from the trust, both the buyer and seller have to give permission for this to happen. So, if the buyer for whatever reason doesn't want to give permission, the seller would need to take the buyer to arbitration and/or court to get the deposit.

The seller also has the right to sue the buyer for damages for breaching the contract.

Subject To The Buyer Receiving And Approving A Home Inspection

If you're buying this home for yourself to live in, don't skimp out on the home inspection. Get a reputable home inspector that will thoroughly inspect the property and give you that peace of mind. You don't want to move in only to find your home is actually falling apart and that there are thousands of dollars of immediate repairs needed.

You're buying a home that's hundreds of thousands of dollars. $500 is nothing. It's a necessary expense. Don't try to look for the cheapest home inspector in the city. I'm not saying you need to look for the most expensive one. But go find a reputable one. If you don't know any, I can refer a few good ones that I've referred to my clients.

Subject To The Buyer Receiving And Approving An Oil Tank Inspection

Especially, for people who are buying older homes, prior to the 1970s. I talked a lot about this earlier. Do your due diligence. Ask the listing agent if there is one on the property or whether one was removed from the property. Call City Hall to see if they have records of an oil tank being removed from the property.

An oil tank inspection is very inexpensive, about $200 and if you don't do this inspection and you buy the home and find one and it is leaking, you're going to be in big trouble. If the seller knew about it and didn't disclose it, then they are in trouble and could be taken to court and sued for the costs of remediation.

However, what if you can't find the seller? What if they take off right after they sell you the home? You can chase the previous owner of the home and hold them liable.

To be on the safe side, just remember to do your due diligence. The courts often favor and side on those who have done their due diligence and look down on those who didn't do their due diligence for whatever reasons.

Subject To The Buyer Receiving And Approving Fire/Property Insurance

This clause is used because insurance companies will refuse to insure older homes that still have aluminum wiring in them because aluminum wiring is a fire hazard.

This is another reason you should get a home inspection for the home. Home inspectors will inspect the wiring in the home. Also, just because a home has been renovated doesn't mean that the electrical was updated because electrical updating can be expensive.

This isn't typically a big issue because many older homes will have likely upgraded their wiring as previous homeowners would have had trouble getting insurance if they still had aluminum wiring.

There are some other reasons why insurance companies may not insure a particular home. Basically, insurance companies do not want to insure homes that are labelled as high risk. High risk may be due to many reasons.

A few of these reasons include: multiple claims from that home, the home's structure is unstable due to a recent fire, the home is located in an area that is prone to severe weather (hurricanes, tornadoes, etc…) and the home is located in an urban area that has high vandalism, break-ins or theft.

Here are the Conditions I use in my offers for single detached homes:

The Seller Will Not Leave Any Chattels And Will Leave The Place In A Clean And Tidy Manner

Obviously, when you move into the home, you don't expect the seller to have just left their junk and leftover furniture in the home. You will also expect that the home will be relatively clean and tidy.

This condition is used to make sure the seller removes all the furniture, the garbage, debris in the home, excess wood or junk in the backyard or garage, etc…

If you want the seller to professionally shampoo the carpets, you can also specify this in another condition.

The Seller Warrants That There Are No Hidden Stains/Holes

The home looked fine when you saw it with all the furniture and paintings, but the day you got the keys and opened the door, you noticed many unexpected things.

You see major stains on the walls that were previously covered by wall paintings, some holes in the flooring that you didn't notice because they were under the area carpets, some dents in the wall that were previously covered by clothing dressers , etc…

This clause is to protect you from those kinds of unexpected surprises.

The Seller Warrants That All Appliances And Equipment Are In Proper Working Order

This is a very standard condition. If you move in and you realize that half of the appliances or the air conditioning or alarm system isn't working, that's a big problem.

This clause protects you from that kind of headache and also reminds the seller to possibly fix the defective dishwasher or alarm system that they haven't been using for a long time.

The Seller Warrants That The Property Wasn't An Illegal Drug Operation

Because marijuana grow ops have been rampant in the past in the lower mainland, this is a common condition that is written into offers. A house that has been a grow op in the past is a material latent defect and it MUST be disclosed.

If the property that the seller is selling has ever been used for illegal drug operations and the seller is aware of it, it MUST be disclosed in writing to you prior to you writing an offer for the property.

Having this condition in the offer will ensure the seller is legally responsible if they are found to have concealed this information.

For condos, most of the subject clauses used for single detached homes are also used. Subject to receiving and approving the title search, property disclosure statement, getting a home inspection and obtaining property insurance are also used for condos.

The subject clause that you need to add for buying a condo is this one:

Subject To The Buyer Receiving And Approving Strata Documents

I mentioned earlier about the strata documents that you should be receiving, reading and approving.

Let me reiterate these.

You need to receive the Strata's meeting minutes for the last 2 years, Strata Plan, Form B, Depreciation Report (if available), Engineering Reports for the last 2 years, Rental Disclosure Statement and Financial Statements.

The most important thing is you MUST READ them. If you're working with a REALTOR®, don't just rely on him/her to read it because your REALTOR® will not memorize them and verbally dictate the whole thing out to you.

If things ever get dicey and the situation goes to court, the judge will ask you, the buyer, whether you read the documents and if you say "no", you'll look like a big fool and the judge will not look at you favorably.

That's a lot of subject clauses and conditions for me to remember.

Not to worry, feel free to contact me at www.garywongrealty.com and I can give you a clear list of this information and other related information.

CHAPTER 4

The Do's and Don'ts to Court Ordered Sales

So you've seen the infomercials on TV about how you can buy court ordered sales at dirt cheap prices and flip them and makes tens of thousands of dollars in a matter of weeks.

You've heard the stories from friends that it's easy and you have this perception that it sounds too good to be true.

You're ABSOLUTELY RIGHT! If it sounds too good to be true, it *probably* is.

> **GARY's WOW**
> — WORDS OF WISDOM —
> If it sounds too good to be true, it *probably* is.

The first step in court ordered sales is to find them. The ones that are public are on the MLS and you can easily call the listing agent and ask for the details on them. The ones that are a bit harder to find may be from bank foreclosure lawyers, divorce lawyers, banker contacts, the court registries, etc…

So, once you find them, what next?

DO Extensive Research On The Property & DO Ask The Listing Agent

If you are calling up the listing agent, what do you need to find out?

Find out what happened. Ask questions, lots and LOTS of questions.

Ask about the seller's story. Is it a divorce? Is it because the sellers couldn't pay the mortgage because of a job loss? Is the home an ex grow op? Are the sellers still living there or have they moved out? Is the place rented out to tenants? If so, what will happen to them?

Is the property sold "as is, where is"? If so, are the appliances still there? Has there been an accepted offer? Has a court date been set yet?

Your goal here is to do your homework and learn as much about the property as you possibly can.

If the sellers are being kicked out by the bank, and the sellers are really angry, they may want to rip everything out of the house before they leave, including carpets, wall coverings, appliances, toilet fixtures, flooring, etc…

Did you do a Google search of the property? My builder client, Mr. Huang sent me this court ordered sale in Richmond and it was for a 3000 sq ft house on a 30,000 sq ft piece of land. The asking price was half of the tax assessed value and he was highly interested in it as a potential site to build or to even flip for a quick profit.

He was very eager to write an offer but I told him to wait as I did some investigating.

I did some basic analysis and research and found the following:

Horrible Location – It was located next to the sewage plant. Who would want to live there?

Agricultural Zoning – It was a small house on an acreage lot. Agricultural zoning means you aren't able to tear down the home and build homes on the land and so it's not a good property for real estate development.

Mafia Home – The home belonged to an infamous Mafia Boss. When I Googled the address, several news articles showed up talking about police raiding the property and finding crates of smuggled tobacco and such. Great for resale, right? WRONG!

Obviously, I HIGHLY recommended my client not to write an offer for these reasons and I'm glad he listened to me.

When a home is selling for half of the tax assessed value, it should raise a red flag to do some heavy investigation. One of the key responsibilities of a REALTOR® is to provide risk management to our clients and make sure they don't buy the wrong property. We are like lawyers and doctors, offering fiduciary duty (looking after our clients' best interests) to our clients.

The second step after you've done your preliminary research is you have to make sure you have the money to buy the property.

DO Have Your Financing In Place

In court ordered sales, what typically happens is the property is listed on the market by a listing agent.

In a typical listing, after the listing agent gets an accepted offer, there is a certain period of time for the buyer to get their subjects removed. In this time, the buyer does a home inspection, makes sure they get the financing, etc… Upon subject removal, the deal goes firm.

However, in a court ordered sale, because it is subject to the court's approval, when subjects are removed on the original accepted offer, a court date has to be set. On the court date, other buyers are allowed to show up and present their offers to the judge. These offers must be subject free cash offers.

When the court date is set, the court date is made available to all prospective buyers. Therefore, if you are not the original offer and you want to show up on the court date with an offer, you are going to be writing a subject free offer. Also, when you are writing those subject free offers for the judge, it helps to include the deposit with your offer.

There will be no subject to financing clauses so you better make sure you have your financing in place.

DO Read The Fine Print

When writing offers for court ordered sales, you will likely need to sign a "schedule A" document. This document will state that the property will be sold "as is, where is". There will be no guarantees or warranties whatsoever.

There have been cases where people buy court ordered sales, only to move into a home that had the flooring, toilet fixtures, appliances, doors and crown moulding all ripped out.

By signing the "schedule A", you are declaring that you are fully aware of that kind of possibility. This brings me to my next point. That is why you shouldn't be paying market value for a court ordered sale. Because you are taking on the risk, you should be paying below market value for this kind of property.

When you go to a store that has a final sale, they often have a no exchange and no refunds policy. But, they make up for it by offering their products at a significant discount. You wouldn't pay full price for products if there was a no exchange and no refund policy, would you?

DO Know What It's Worth & DON'T Pay Market Value

This is where having a REALTOR® would really save a lot of your time and effort. In a later chapter, I will show you how you can learn the market and learn how to price your home without the help of a REALTOR®, but for now I'll give you a brief snapshot at what you need to pay attention to.

Look at the market trends in the neighborhood. Is it a buyer's market, a seller's market, or a balanced market? Does the property have some unique features that differentiate it from nearby properties? Find out how much comparable neighboring properties have sold for?

Well, don't all Court Ordered Sales sell for below market value?

DON'T Assume All Court Ordered Sales Are Great Deals

Because they're not... This is why you need to know what the property is worth. Don't get caught up in the bidding war and get emotional and pay market value or more for that property. It's a court ordered sale and because of the risk you are taking, you should be paying lower than what it's worth.

By having a REALTOR® help you, you can have the unbiased professional opinion of someone who's looking out for your best interests and is going to make sure you don't buy something just because it "looks like" a great deal. Your REALTOR® will be able to provide you the comparables, current market conditions and advise you every step of the court ordered sale process so you don't get overwhelmed.

DON'T Forget To Do A Home/Oil Tank Inspection

Whether you are the buyer who is writing the original offer or you are planning to show up on the court date and compete with the other buyers, make sure you do a home inspection on the property if you're planning on living there.

If you are the buyer showing up on the court date, you may assume the original buyer did a home inspection and that you should be safe, but don't assume. Even if the original buyer did a home inspection, you aren't sure of what the results were and maybe the original buyer was fine with spending $100,000 to do the repairs to address the defects found in the home inspection report.

You don't know.

If you're going to write a subject free offer on the property and you're serious about the property, hire a home inspector and do a home inspection prior to writing the offer on the court date.

In fact, if it's an older home, you may want to even do an oil tank inspection too unless the listing agent has revealed to you that the tank has been removed or maybe an oil tank scan has been done on the property.

At the end of the day, the most important "DO" is for you to DO YOUR DUE DILIGENCE.

CHAPTER 5

4 Simple Ways To Find and Buy Underpriced Properties

I'm always asked by friends and potential clients, "Gary, where can I get great deals?"

I always reply, "They're everywhere, you just have to be looking in the right places."

Because I study the market day in and day out, it's much easier for me to see a good deal when they show up. A lot of the times, they're priced really well. Other times, they're priced high and so I know that they're not going to get much response and that is a great property to target.

Why are overpriced properties great properties to target?

1. Look For Overpriced Properties

This is because if a listing hasn't had any action or traffic for several months, the seller may be willing to take a lowball offer. The seller may be thinking, "Well, this is the only offer we have received, let's try and work with it…"

What usually happens in the early stages of a listing, the seller feels confident that their home will sell at the high price they set it at. Then as time passes, they usually lose a bit of confidence and may even be a little bit discouraged. They slowly realize that their home is overpriced. They may even get close to the point where they say,

"I just want an offer. Any offer…"

Or, when the seller first listed the property, they weren't very eager to sell, but as the months went by, their train of thought became,

"I don't want to wait another few months, I'm just going to take the money and move on…"

This is where you can sometimes snag a property for a great price. I see overpriced properties sell for a great price just because it was on the market for several months and then someone had the courage to write a low offer. Sometimes, if you want a good deal, you got to fight for it.

I meet buyers all the time who look at an overpriced listing and they stay away from them. If you like the property, make an offer.

If you don't ask, the answer is always NO

— NORA ROBERTS

Here's my take on that quote to encourage you to gather some courage:

GARY's WOW

— WORDS OF WISDOM —

Good deals go to those who go for it and make offers.

When you're the only buyer in months who has shown interest, you have buying power. You don't have to compete against other buyers because the seller overpriced their home.

2. Look For FSBO's (For Sale By Owner)

The best place to look for FSBO's is on Craigslist. You can also find them by driving around the neighborhood you want to buy in and looking for "For Sale" signs on homeowners' lawns.

On Craigslist, you can look in the "Real Estate For Sale" section where most people look, but here's a **SECRET TIP**.

LOOK AT THE **RENTALS** SECTION.

Why you ask? If you follow the rentals section regularly you'll realize some ads just get reposted again and again and you'll quickly come to the conclusion that the seller can't find anybody to rent. This is where these sellers may be open to the option of selling.

Contact these sellers to go see the home and ask if they would be open to selling it to you or even offer you a *lease-to-own* option. I'll talk more about the lease-to-own option in a later chapter but I'll briefly describe it here.

Lease to own is a common real estate investor technique where you rent the home for a premium rent for a set period of time (maybe 2 years) and at the end of the period, you have the option to buy the home at a preset price that you and the seller negotiate and set at the beginning of the lease.

If you're the buyer/tenant, you may be required to put a small deposit down too that would go towards the purchase of the home if you bought it but would lose it if you decided not to buy the home. I'll go into more detail in the real estate investing portion of this book.

The great thing about targeting FSBO's and landlords is that they are often NOT good at determining a good price for selling their home.

They either price them too high by looking at what their neighbors are LISTED FOR rather than what neighboring comparable homes are SELLING FOR or they price them too low because they just took their BC tax assessment document and think that's what their home is worth.

The key thing with FSBO's is that they want to try to save on REALTOR® commissions so they want to do their own FREE marketing thinking that they're saving time and money when most of the time, they end up spending more time and leaving a lot of money on the table when it comes to negotiations.

Contact the FSBO and go and see their home. Find out what their situation is and see if you can meet some of their needs in exchange for having a reduction in the price. I'll talk more about creative negotiations in a later chapter.

You should even meet with FSBO's that have overpriced their home. You never know. Some FSBO's shoot for the stars with their asking price but would be willing to accept a price that's much lower.

3. Talk To Owners Of Expired Listings

You've seen it from time to time. You drove around the neighborhood and the home was listed by a REALTOR® for a long time and then one day, the "For Sale" sign is gone. Did it sell or did it expire or did the owner just take it off the market?

You can call the listing agent to find out if it sold or you can knock on the door of the home to find out.

If the owners live there, then you can door knock and try talking to the owner. If the owner doesn't live there and it is being rented, you'll likely face opposition from tenants as they are not typically motivated to tell you the homeowner's contact information because of your interest to buy their home which tenants figure it usually means the tenant will have to look for a place to move.

However, if you face a tenant who won't give you the contact information, you can obtain a copy of the title search for $10–$20 at the Land Title Office (www.ltsa.ca/cms/land-title-division-land-title-offices).

The title search will show you who the owner(s) of the property is/are and what address they are living at. You can then go door knock that door and try to talk to the owner or mail them a letter. I'd recommend door knocking and speaking face to face with the owner(s).

The purpose of targeting these owners is because these sellers are likely motivated. They're probably discouraged from not being able to sell their home and may be open to lower offers.

You can also take this opportunity to discuss your interest in the property, have the seller give you a personal tour and through conversation with the seller, you'll probably have an idea of the seller's position in terms of why they are selling, how motivated they are and what price they're looking for. This is excellent information for you when it comes to negotiating an offer.

They may be hesitant because they had been working with a REALTOR® but because their listing expired, they are not bound by the listing contract and may want to save the REALTOR® commissions and work directly with you.

4. January Tax Assessment Time

Every January, BC Tax Assessment mails letters to homeowners stating what their home is assessed at. What your home is assessed at plays a huge role in how much property tax you will be paying that year. This information is available for the public by the way. You can find out how much any home is tax assessed at by going here: http://evaluebc.bcassessment.ca/

This is actually a great time for everyone. Sellers get to see if their home has gone up in assessed values. If it went up, sellers feel good because their home is appreciating in value. If it went down, sellers feel good because they will likely pay less for property taxes that year.

It's a great time for buyers. If tax assessments on properties go down, they are probably able to pay less for them. If tax assessments on the properties go up, here's the opportune time to come in and sweep up some good deals.

BUT WAIT!

Before I show you how, I'm going to explain a little bit about how the tax assessment system works.

When you receive the BC tax assessment in January, the assessed value is based on assessments performed in the year before. Every year, BC Tax Assessment does the evaluation of the land in and around June and for the following few months until November, they evaluate any improvements to the property and use that to come up with a finalized figure by January.

Therefore, when you receive the letter in the mail in January, the assessment you receive is actually what it was worth in July of the previous year. Hence, it is not a current evaluation of what your home is worth.

On top of that, appraisers from BC Tax Assessment do not go and view every house that they assess. You'll notice that if you view some of the homes on the tax assessment website, the square footage may be incorrect. There are 3 sources they take that information from.

They either get it from the building plan, a building permit or they actually go to the house and measure the home. So, if you have made any improvements to your property that increased your property's square footage or did any specific renovations (without obtaining a permit) that likely improved the value of the home, there's a good chance that the BC Tax Assessment authorities are not aware of it.

Ok, so here's an example of how you can take advantage of this short window of opportunity in the beginning of the year where you can buy properties at an incredible bargain. If you're an astute buyer or investor, this is a KEY timeframe!

Ready? Pay Attention.

Example: In October, Jack decides to list his home on the market. He looks at his tax assessment and sees it at $2,000,000. He does his research and gets a REALTOR® to send him some recent solds in the area and the REALTOR® shows him that comparable listings are selling for approximately 10% above BC tax assessed values and says his home is worth $2,200,000.

He puts it on the market for $2,500,000 in November because he (like most homeowners) thinks his home is worth more than market value. It sits on the market and in January, he receives the new BC tax assessment. His home is now assessed at $2,400,000. But, Jack is just set on selling his home for $2,500,000.

Now, if a smart buyer who knows the market is looking at this. The buyer would see that the home is actually worth about $2,600,000 (approximately 10% above tax assessed values) and would write an offer in an attempt to get the property for lower than their current asking price of $2,400,000 and if the buyer is successful, will have bought an underpriced property.

Have people done this? YES! I've seen a number of properties sell below what they're worth in January because smart buyers JUMPED on this SECRET.

I know what you're thinking.

But wouldn't sellers see their January BC tax assessment mail and raise their asking price?

Since the sellers overpriced their property, they were probably getting little to no traffic to their home. Yes, the new BC tax assessment came up, but for them to increase their price now even when they were having a tough time getting people to see their home, most sellers will be hesitant to do that.

Another reason why sellers may not raise the asking price is that many sellers have a set price (usually a little lower than asking price) they would like to receive in their mind and they don't like to take the risk of increasing the price and getting no response. They'd be happy if they could just get their asking price or close to it.

There are other reasons too. Many sellers are also very unaware of the market. They don't really pay attention to the BC Tax Assessment values. They don't listen to their REALTOR®s' advice or the REALTOR®s don't even offer their advice to increase the price.

If the sellers didn't listen to the REALTOR®'s advice to price it right in the beginning, why would they now listen to the REALTOR®'s advice to increase the price? The REALTOR® might be thinking "we are not getting any response now; let's wait until we get some response before even considering to increase the price…"

Sellers don't often increase their asking price. One occasion they would do that would be a sudden proposed rezoning change in the area that would increase the value of their property significantly because their home would suddenly be an interest to major real estate developers.

Another occasion would be if their initial asking price was just too low and they are receiving dozens of calls and showings and they realize they have underpriced the property.

CHAPTER 6

Stigmatized Properties You Can Buy For 10–30% Below Market Value

Are you one of those people who just love a bargain? There are tonnes of people out there who buy and sell on Craigslist because they want to buy used products at great prices.

Have you been to a retail clothing store and there's a clearance section because it's the old inventory, the fashion's out of date or maybe there's a stain or two on the clothes?

How about when you go to a new car dealership and there's a demo model that's basically a new car but selling at a slight discount because it has been driven by many potential buyers?

Or what about the electronic stores that sell open box electronics or electronics that have been returned or refurbished items but the products are still in great working condition?

You wouldn't pay full price for a refurbished laptop, would you? Would you pay full price for old inventory? How about an open box TV? You'd expect a discount for a stained shirt for sale, right?

What about in Real Estate?

In the real estate industry, there is what's called stigmatized properties. These are properties that have some sort of characteristics about them that turns away many potential buyers. These characteristics often affect the resale value of the house as well. Just like buying a shirt with a stain in it will affect the resale value, the same goes with these homes.

However, if you're strictly just looking for a bargain and don't mind the resale value, these homes may be something you would be interested in.

T-junction – When two streets come together and one is pointed directly at the front of a house, these are known as T-junction homes. These homes are built at the end of a street and are facing the same direction as a car heading towards them.

In the area of Feng Shui, there are many explanations as to why this is a stigmatized property. People believe car headlights shining at their homes as bad luck. Others also believe that cars travelling down the street may not be able to stop and will run right into the house.

Some say this Feng Shui originated from ancient times where a plot of agricultural land was in a T-junction against a river and so there was fear that the river that was flowing directly at the agricultural land would overflow and flood the land. So farmers would take precautions such as building a wall to prevent this.

If you study Feng Shui, there are many remedies to counter bad Feng Shui, which is outside of the scope of this book, but the main point is that these properties can be bought at a discount and will also be sold at a discount when it comes to resale.

Haunted houses – Homes that have been labelled as haunted either by rumors or actual incidents are also stigmatized properties.

There may have been reported sightings in the home or the house may have had a history of occult practices and such. There are a few haunted residential and commercial properties in the Vancouver area that are well known but these kinds of homes are very rare.

There was a home on Cambie St that was haunted. The story was that a couple moved into the home and the next morning, their luggage was placed outside the door of the house. This happened a couple times before the couple moved out.

Later a woman driving by the home one day was talking about this story and cursing that home and she got in a car accident immediately.

It has been said that that home has since then been occupied by monks.

Murders – These homes are not as rare. I was helping my client look for a townhouse in Burnaby and they were interested in a unit in a townhouse complex. I did my due diligence and performed a Google search of the townhouse complex and found some news articles talking about an honor killing that occurred in a neighboring unit in the complex.

Of course, I reported my findings to my client immediately and they were thankful that I found this out for them.

Homes that have had incidents of unnatural deaths are stigmatized properties. These homes or neighboring homes will likely be able to be bought and sold at a discount.

When you hear on the news of a homicide, make sure you record the address of where it took place. You may want to stay clear of these homes if you're uncomfortable with this kind of stigma. Also, sometimes this kind of stigma is not publicly reported and even the REALTOR® might not even be aware of homicides that have occurred at the property.

It is possible that the homicide happened long ago and the current owner has no knowledge of the fact or possible that the owner never revealed it to the REALTOR®. If the REALTOR® has been made aware, it is the REALTOR®'s duty to disclose this information.

Just to be on the safe side, do your due diligence and Google the address to see if something has happened at that address.

Grow Op – Homes that have had illegal marijuana grow ops have been very common in the city. In a city where marijuana has now become legalized there are even legalized grow ops in homes.

In illegal grow op homes, people often tap into the electricity going to the home and drill huge holes in the walls, modify the wiring, board up the windows, etc… Because the home has to be made into a warm environment for the marijuana to grow, there is often the growth of mould and such in these homes.

When these homes are discovered, there is an elaborate remediation process that the city will require before they can issue a re-occupancy permit to allow the property to be legally lived in.

Illegal grow ops are typically found in detached homes but I have seen some in apartments as well. If a property has had this in its history, it needs to be disclosed.

These homes are often sold and bought at a discount and many builders and investors take this opportunity to buy these homes at a discount, tear them down and build new homes to make a profit.

Flood – This is a common problem in condos in Vancouver. Buildings built in the 1990s or older were under the old building code regulations and were not rainscreened and were not built to prevent the problem of water ingress in the building's exterior.

Therefore, many condos experienced what is known as the leaky condo crisis where water was getting into the building envelope and causing damage and deterioration, rot and mould, etc… This lead to the building's structural integrity to be compromised and some buildings got to the point where it was unhealthy for residents to live in.

However, if you've been searching for condos in Vancouver for an extended period of time, you're bound to come across one of these condos. Many have gone through the rainscreen renovations and some have just done patch up works here and there.

Minor leaks in a condo building are common, but if the condo unit you are looking to buy has had a leak that affected that unit directly, you are going to want to pay a discount for that property.

Also, in a condo building where major floods have occurred because the rainscreening was done poorly, these properties will likely sell at a discount as well. You can tell by reading the strata minutes and also looking to see whether their insurance premiums have gone sky high.

One of my friends rents in a relatively new building downtown that has gone through several major floods and the insurance deductible has gone up to $250,000 last time I heard. I will definitely not be recommending any of my clients to buy in that building.

The other occurrence of floods that commonly occur is when water leaks from a unit above to a unit below because of a dishwasher or laundry machine's malfunction or there was a burst in the pipe, etc…

If you are buying a unit that has been on the receiving end of the flood, you'll want to find out how severe the leak was and whether the remediation was done properly through the insurance company. These units can often be considered less desirable from buyers and will cause buyers to walk away or want a bigger discount from the purchase price.

Oil Spill – Many homes as mentioned in an earlier chapter have or have had underground oil tanks. If the oil tank ever leaked or a neighboring home had its oil tank leak and there has been some sort of contamination on the property you're looking to buy, that's definitely a stigmatized property.

You will want to make sure the oil spill has been remediated properly and that an environmental report was done by an environmental consultant.

If the home has had a spill and it has been remediated properly, it will still be considered undesirable and will affect the purchase price and resale value.

Mafia House – In an earlier chapter, I mentioned the story where the home my client was interested in was the former home of an infamous mafia boss.

I Googled the address and several news articles showed up talking about police raiding the property and finding crates of smuggled tobacco and such.

No one wants to live in a home that was previously owned by the mafia, triads or affiliates.

Would you?

Buyers don't want unwanted visitors coming to the house for any reason thinking the old owners still live there. It's an issue of security and safety. That is another reason why buyers don't like ex grow op homes.

They don't want clients or partners of the previous grow op operation to show up at the door for any reason, whether it is for money the previous owner still owed or whatever.

Even if the home you are looking to buy did not belong to the mafia, triads or affiliates, if it is located next to it, that's a stigmatized property as well. There are some Hell's Angels or infamous gang establishments around the city and no one wants their home to be located next to them for obvious reasons.

These homes will be stigmatized and will likely be sold at a discount.

Next to the Cemetary – Homes facing the cemetery, either beside or located across the street are stigmatized properties.

Buyers don't want their homes located next to a place where they bury dead bodies. This also applies to homes located on land that was previously a burial ground.

This goes along the same lines as homes that are haunted. People don't want to be located near a place where spirits may be seen. Even if you don't believe in the supernatural, future buyers may believe in it and so, these properties will be bought and sold at a substantial discount.

Properties farther away are not affected as much but properties that have a direct view of cemeteries are not desirable and are often a little more difficult to sell than properties without that kind of view.

Next to a Religious Institution – Homes located next to churches, mosques, temples and other religious institutions are not commonly known as stigmatized properties but are not that desirable for many reasons.

I was working with Jack and Jenny and we were looking for homes in Surrey. We saw a house that fit their price range and it was quite new and spacious. It was cheaper than comparable homes and it looked like it had potential on the MLS.

However, a quick drive to the property revealed that it was located next to this humungous Jehovah's Witness hall with a huge parking lot and I knew why the price was what it was. Jack and Jenny didn't think it was a big deal but I explained how the big Jehovah's Witness establishment meant that there was going to be a lot of traffic on a regular basis, not just on Sundays.

Buyers know that homes located next to religious institutions will experience increased amounts of traffic on certain days of the week due to events and services that occur.

Also, buyers who don't believe in a certain religion do not want their home situated next to one that contradicts their beliefs.

Furthermore, some religious institutions do lots of community door knocking and some buyers consider this a nuisance.

The above list of stigmatized properties is by no means an exhaustive list. There are many other things that you may consider a stigma in a property. Some you may consider a stigma and some you may be willing to live with.

The point is that if you're not picky, there are lots of properties out there that you can buy at a significant bargain.

CHAPTER 7

5 Practical Negotiation Techniques That Will Easily Save You $5000–$10,000 Off Your Next Purchase

Everyone wants to save a buck or two when buying something. In Real Estate, it's not about saving a couple bucks, it's about saving thousands of dollars.

Here are 5 practical negotiation techniques that you can use that will easily save you thousands of dollars off your next purchase.

Areas of TLC

When you walk into a home you like and you're prepared to make an offer, make sure you take note of the visual defects and areas of the home that are outdated and will need renovations.

Before submitting your offer, make sure you make note of the dents in the walls, scratches, peeling paint, dirty carpet, cracked flooring or tiling, single pane windows and such. Conservatively estimate in your mind how much these items will cost.

Take the estimate and subtract it from the price you were about to offer. When writing the offer, explain how you will need to make the necessary renovations and upgrades just to make the home livable and the costs associated with it.

When you do this, you are justifying your offer so the seller knows you aren't just pulling a number out of thin air. You are also persuading the seller to see things in your perspective and this can greatly help the seller to broaden his/her perspective and can open up the negotiation space available.

BATNA

BATNA stands for Best Alternative To A Negotiated Agreement. This is your back up plan in case you can't come to a deal with the seller.

The worst thing you can do in a negotiation is to not have a BATNA. That means you have nothing to fall back on if you don't come to a deal and the seller has all the power.

In your search for a home, it's ok to fall in love with a home, but it's a good idea to fall in love with several homes so that if you're negotiating a deal with 1 seller and that doesn't work out, you can always fall back on any of the other homes you fell in love with.

If the seller knows that you don't have any back up plan or you somehow reveal that to them, the seller will be less likely to make concessions in the negotiation process.

Always have a mindset where you don't HAVE to buy THAT property. You can always stay where you are, go and rent somewhere, buy a property in a different neighborhood, buy a different property type, etc…

Having 1 or more BATNA's when you come to a negotiation will ensure you remain calm and cool. Sellers can sense desperation in buyers and they will take advantage of that. Think about it. What kind of seller wouldn't want a buyer that is head over heels about their home?

Don't be in a position where you HAVE to buy THAT property. When you have your BATNA in place, you can set a maximum price that you're willing to pay for the home and be completely fine if you can't come to an agreement. Be cool and walk away.

> **GARY's WOW**
> — WORDS OF WISDOM —
> Don't be in a position where you HAVE to buy THAT property.

In fact, most sellers start off acting all tight and unwilling to budge, but they start to show their true colors when potential buyers walk away and often the sellers will get their listing agents to contact the buyers to solicit them to come back to the negotiating table. This is when you know the seller is motivated and you'll be able to use this to your advantage.

Home Inspection

When you come to an accepted offer on the home you want to buy, you're making a bunch of assumptions. The price you offered was based on the assumption that there aren't any unforeseen repairs and problems in the home that will cost you more money.

This is where the home inspection comes in. With a comprehensive home inspection, you should be able to note these unforeseen repairs and can often write up an addendum to have the seller reduce their price several thousand dollars to mitigate these repairs.

Often buyers will use the home inspection report to get sellers to reduce their price for issues such as near future repairs or replacements of the roof, furnace, hot water tank, water ingress in the bathrooms, mould, deteriorated siding, defective appliances, etc…

Some of these items are not unforeseen. Often, the listing agent will know and advise you how old the roof, furnace and hot water tank are and based on general life span expectancies of these items, you'll know if these need to be replaced or not.

However, after the home inspection, there's no harm in asking. Home inspections usually take place after an offer has been accepted and before the subject removal date. During this time, the seller is already satisfied with the price that has been agreed upon and is at the most motivated point in the process to close the deal.

If you are reasonable in what you ask for after a home inspection report, there is a high chance that the seller will be ok about providing these concessions in order to close the deal.

Your buying agent will draft up an addendum with a price reduction or items you want the seller to address, but don't forget that this addendum can be accepted, rejected or countered. Let's say you ask for a $20,000 price reduction. The seller has the right to counter that with a $10,000 price reduction instead.

When I was working with Mary, we made a full price offer on a condo downtown that was priced below market value. It fit Mary's criteria of being in downtown, close to work, 1 bedroom and well within her budget.

We got a home inspection done and the results were not as pleasant. The home inspector discovered water ingress behind the bathtub tiled wall and he said that there could be potential mould behind there. Because of how the washroom was laid out, he explained that removal of the tiles meant the other fixtures (bathtub, toilet and vanity) had to be removed and it could cost up to $7000 for the labour and repairs.

I educated Mary about asking for a price reduction and she agreed. I advised her that we should write up the addendum and ask for a price reduction. Mary was willing to buy the condo even if the seller didn't agree to a price reduction, but I felt that we had a very legitimate reason to ask for a price reduction.

We asked for a $7000 price reduction and they countered with a $5000 price reduction and Mary accepted it. She was pleasantly surprised with the bonus discount I helped her get on her first home in Vancouver.

Mary was actually a referral from one of my builder clients. Mary had expressed to my builder client that she was working with another REALTOR® before who offered her a commission kickback but didn't help her find her home. Mary told me afterwards that he brought her to see homes that didn't match what she was looking for.

My builder client told her not to use that REALTOR® because even though he told her that she may get a kickback, she might end up losing more money in the end because the REALTOR® might not put in the proper effort to help her.

Also, when I was explaining the documents and contracts to Mary, I said, "You've seen this document before, right?" and she was like "uh… no." So I realized that the previous REALTOR® didn't even get her to sign some mandatory documents. Then I started explaining the contract and I said, "Mary, your previous REALTOR® probably explained some of what this means, right?" and she said, "uh… no."

Apparently, the previous REALTOR® just told her to sign here and sign there and didn't explain anything. I didn't offer my comments except, "uh… ok…." and I explained the documents to her.

I'm glad I was able to help Mary get a great deal on her first home and she was so glad to invite me over after she moved in.

Remember; be strategic about asking for concessions after a home inspection. It's just like when you're making an offer. Don't ask for so much that it angers the seller. Be bold, but reasonable and you'll be surprised.

Expand the Pie

Often times in negotiations, the buyer and seller go back and forth solely on one item – the price. As common and as simple as that sounds, that is very one dimensional. There are often many other factors in a real estate transaction to negotiate with other than the price.

Imagine negotiations like dividing an apple pie. Parties often want to get the bigger piece of the pie and focus on them getting 60% and the other party getting 40% or something like that.

Think outside of the box. Instead of trying to get a bigger piece of the pie, why don't you just make a bigger pie? How about you take 60% of the pie and you add in a milkshake so the other party may be more willing?

How does this work in real estate?

How do we get a bigger pie in real estate? Stop negotiating solely on price. There are many other terms on a contract that can be negotiated.

> ***Example:*** Maybe the home is being tenanted and it's a hassle for the seller to evict the tenant and go through the trouble of cleaning the home and making it ready for the new buyer. You may offer the

seller a lower price, but in exchange, you take over the tenancy agreement and you'll take over the responsibilities of the tenant, whether to keep him or evict him.

This would add value to the seller, wouldn't it? The seller would need to accept a lower price on their home, but they wouldn't have to go through the headache and efforts to evict the tenant and clean the property.

Example: You notice that the home needs some renovations and you don't want to go through the time and effort to search for a contractor and potentially take time off work to supervise the renovations.

You can ask the seller to do the renovations for you in exchange for you paying a little bit more than your current offer.

Please note: with renovation negotiations, results and quality can be very subjective, so when you want the seller to do certain renovations, you either need to be very specific as to what material and quality you expect or you have to leave it up to the seller's discretion which may or may not be up to your standards.

If your renovation expectations are very specific, you may need a lawyer to draft up a construction addendum to the contract.

What do you mean by adding in a milkshake along with the pie?

Example: What if you fall in love with a property but you're just $10,000 short of the purchase price and the seller won't budge?

Have you thought about bartering? Maybe you have a spare car in your garage that you've been wanting to sell that's worth $15,000. You could always ask the seller if they would mind taking the car instead of $10,000. You can trade many things.

You can trade your boat or maybe some furniture you want to get rid of, or maybe you want to buy the seller's furniture. It'll save the seller the hassle of moving the furniture and would work perfectly if the seller was planning to sell them and get new furniture anyway.

You never know what you can trade and barter until you ask.

Giving Sellers 2 Offers

Most sellers want multiple offers because they want choice. When sellers receive 1 offer from 1 buyer, they are limited in their choices.

Have you ever thought of offering sellers 2 offers simultaneously?

When my son wants to buy a toy at the toy store, I give him the choice. "I can buy you this helicopter or I can buy you this truck. Which one do you want?"

Can you do that to sellers? Sure! Of course you can! For 1 offer, you can write a low price that favors you and a good deposit, great completion and possession dates that favor the seller and great terms that favor the seller, such as a subject free offer where you have to take on the risk or offer a quick subject removal date that favors the seller.

For the other offer, you can write a higher price but you choose the dates that you want and offer a low deposit amount, write in several subject clauses that comprehensively protect your interests and offer you ways to get out of the deal if you choose and even request the seller to repair certain things in the home, such as replacing the old furnace or hot water tank with a new one.

The seller then has to make a choice.

Do they pick the subject free offer where the deal is firm the moment the seller accepts the offer?

The price is not that high but the seller can save the time and headache in the countering back and forth and the possibility that the buyer may walk away after the home inspection, or may ask for more concessions after the home inspection, etc…

Or does the seller pick the higher offer?

But it's filled with subject clauses and terms that the buyer wants the seller to do, such as professionally steam clean the carpets, repair scratches and dents in walls, etc… A home inspection is still required and something unexpected may show up on the home inspection report. There may be further negotiations and at the end, the buyers may still change their mind and walk away.

Bonus tip

Try to present the offer in person or have your REALTOR® present the offer in person if at all possible. Sometimes the seller has direct instructions that offers are to be presented by the seller's agent, but sometimes the seller doesn't mind the buyer's agent to present the offer in person.

The reason behind this is psychological. People are sometimes really strong and bold and unreasonable behind a computer screen in an anonymous chat forum but when you are face to face with the individual, things change. You are suddenly more cooperative. You don't want to offend the other individual. You feel the other person's sincerity.

Statistically, people who negotiate in person are more likely to come to a deal than people who negotiate over email or over the phone. Buyers and sellers are more understanding of each other. The contract full of black and white writing may look intimidating but when you can put a face behind who you are negotiating with, it becomes more personable.

> **GARY's WOW**
> — WORDS OF WISDOM —
> Always look at the situation through the other's point of view.

You are less likely to get offended in person because buyers and sellers are there to explain the reasoning and you can see the tonality and body gestures of the other person and you have a lot more control in the situation.

Sometimes there's a reason why the buyer is offering a low offer. A seller may consider it an offensive lowball offer, but if the buyer is there explaining their heart behind how much they love the property and their actual financial situation, the seller may be able to understand where that offer is coming from, rather than perceiving the low offer as an attack or insult.

PART 2

Selling in Vancouver

CHAPTER 8

Top 10 Mistakes Real Estate Sellers Make And How To Avoid Them

We went into tremendous detail about how to buy Vancouver Real Estate, let's talk about the selling aspect.

When I first entered the real estate industry, I thought that it would be easy to sell a home. Just put it on MLS and somebody will buy it. How farther could I have been from the truth?

When I became a father to my son, I knew that it wouldn't be easy. It's easy to be a horrible, lazy father. I saw tonnes of them around me, many fathers that neglected their children, many that spent more time with their friends than with their family and many that just didn't put a serious effort to parenting.

I was determined not to be one of them and I knew that it was going to be a lot of work. Work that I was joyfully willing to go through.

One of the great things about being a REALTOR® is that it allows me the flexibility to work whenever I want, that is to set my own hours and the mobility to work wherever I want.

I work a lot at home so I can see my son growing up and I can play with him when I take breaks. I don't know about you, but I can't stand sitting in one spot for hours without moving. I have to get up and move around.

Likewise In real estate, it's easy to be a lazy seller but if you really want to get extraordinary results when selling your home, you're going to have to put in the work.

When I was in University, I got a membership at the UBC (University of British Columbia) gym and started working out hardcore. I had been working out casually since I was 14 years old but I don't think I got stronger because in university, something happened that highly, highly motivated me.

I arm-wrestled my friend and I lost. Big deal, a lot of guys are stronger, right? But she was a small Japanese girl.

To make matters worse, afterwards I arm-wrestled my male friend, about the same size as me and he beat me… even after I used 2 hands…

So, needless to say, I was motivated. I got the gym membership and signed up for a fitness competition where you got recognition and a prize if you achieved the most change in a 5 month period. Thankfully, I had a fitness coach. He was the winner of the competition the year before.

I remembered how weak I was and how I groaned when lifting the weights at the gym. Huge strong men were beside me groaning, but they were lifting weights as heavy as me whereas I was groaning just bench pressing the bar… with one of the skinny female trainers spotting me…

I endured the ridicule because I was motivated to be stronger than my female friend and I was going to put in the work. I worked out 6 days a week, 3 hours a day and followed an incredibly strict diet for the entire 5 month period. The result?

I gained 15 lbs of muscle, beat my female friend in arm wrestling, tied my male friend in arm wrestling and felt a huge sense of accomplishment. I was even featured in the following year's gym magazine with the before and after pictures. You can check it out on my website at www.garywongrealty.com/about/

Anyway, one key thing during that time I remembered was that I was wearing this workout shirt that said on the back, "pain is just weakness leaving the body".

In life as well as in real estate, the cliché saying is quite true, "No pain, no gain."

Just look at the homes around you that aren't selling. You may think it's the market, and that may have an influence, but have you noticed that it could be due to other factors?

> **GARY's WOW**
> — WORDS OF WISDOM —
> No Pain, No Gain.

Below are the Top 10 mistakes I see sellers make when selling their home.

#10 – Not Having Professional Photos

When you go to a restaurant that has nice pictures of the food you're going to order, it makes a difference, doesn't it? When you go to a presentation center and they give you a brochure of the development, don't the pictures make the development look beautiful?

Pictures speak a thousand words. No pictures speaks NO words. Have you seen listings without even a picture? I have and they are often ignored by buyers. Buyers think, "if the seller can't even spend some time and money to post some nice pictures, how good could the house possibly be?"

Or buyers just skip over the listing and look at other listings that have pictures first.

"Don't judge a book by its cover" or "Looks can be deceiving" is what cynics think. Sure, but no one's going to even look at your book if it doesn't even have a cover. Imagine going to the local bookstore and you see a book there with a blank cover, how likely are you going to go pick up that book and look at it?

Of what if the book cover is incredibly ugly and has a picture of the author on it that looks like it was taken with their cell phone camera?

You want to sell your home, right? Put some effort into it and show that you care and get professional photography done.

From experience working with buyers, homes that have really nice pictures get noticed and my buyers ask me to arrange showings for them. Even when the home doesn't look as nice when we get there, the professional photography did its job and brought us to see the home.

In an age where home shopping is mostly done online, your home on MLS is competing against all of the other homes on the MLS, of which many have had professional photography done. If yours doesn't, it's like you going to a singles mingler party trying to find a date.

All the singles you are competing against are dressed nicely and smell nice. You, on the other hand just finished a workout at the gym, refused to take a shower and you're wearing your dirty t-shirt and sweat pants and you're expecting to score a date.

If a person doesn't mind your body odor and actually comes and talks with you, you may be able to blow them away with your personality, but you are definitely going to be shunning away many potential opportunities.

Well, this probably sounds like common sense to you, but I continue to see unprofessional photography regularly in the listings I look at. Living room, dining room, bathroom and bedroom pictures are taken in the dark. Or the pictures make it look like rooms from a horror movie.

The horrible lighting combined with the shooting in the wrong angles really makes the home stand out… in a bad way, unfortunately.

When I talk about professional photography, I'm talking about hiring a professional photographer, someone who takes professional photography for a living. I'm not referring to you using your professional iphone camera or even buying a nice point and shoot camera or even buying a DSLR camera and taking the photography yourself.

Most homeowners or REALTOR®s are not professional photographers, but I see so many still trying to do the photography themselves.

To those who still want to take their own photography. Here's a few Q&A:

Can you take nice photography without being a professional? ***Yes.***

Are the pictures going to be nicer than the work of a professional? ***Not likely.***

Will a home sell even if the photography is done by an amateur? ***Yes, possibly.***

Does professional photography attract more traffic to the home you're trying to sell? ***Definitely!***

More traffic = higher chance that 1 of the buyers will fall in love with your home and buy your home. Attracting the traffic is the bottom line. It doesn't matter how perfect your home is, it won't sell if you can't get someone to go see it.

GARY's WOW

— WORDS OF WISDOM —

Attracting the traffic is the bottom line.

#9 – Do I Need Videography?

This is a subjective question that depends on the property. Many are in the view that you should show potential buyers everything there is about the home. They say that you should offer a virtual tour, a floor plan, etc…

On the other hand, some sellers prefer not to incorporate videography for privacy concerns. They don't want the public to use videography to see the different areas of their home.

Also, sometimes it's a strategy to not include videography. Strategy? Yes, that's right. Have you ever seen sales flyers, they often provide a few door crasher deals to lure people in, but they don't list out every single item on sale. They want to stir up the customer's curiosity.

Remember, a huge part of marketing is psychological. You want to create suspense or stir up curiosity or offer them a taste without giving them the whole dish, that's the way you to effectively hook customers in.

You attract potential buyers with pictures, but you don't give them everything. You use the professional photography as a teaser and create the suspense for buyers to want to go and view the place.

That way, when buyers go and find new nuggets of beauty, they perceive it as a bonus and they are pleasantly surprised. On the other hand, if you give them everything through photography and videography, they may be disappointed to find that the best part of the home were the pictures and video.

Also, some homes have a unique look and floor plan and a video tour may turn away many buyers. A video is always not as good as seeing the property in person. Sometimes omitting a video will actually attract more buyers to go see the property.

However, I would recommend you talking to your REALTOR® about the strategy you will use and even asking the videographer what he/she thinks. Experienced, honest videographers will let you know if the video is a value added marketing tool or whether it is just a waste of time.

The mistake you don't want to make is doing your own videography with your iphone, point and shoot and DSLR. Just like professional photography, there's a certain way to take a professional real estate video and unless you're a professional, I would leave it to the professionals.

#8 – Not Having a Detailed and Benefit Driven Description

I am regularly checking the market and it blows me away that some listings have such poor descriptions. Or worse, the description section is blank.

That's like posting a cell phone for sale on Craigslist and writing, "Phone for sale, $100".

Even more frustrating is that these listings sometimes sell in hot markets and so that reinforces this bad habit.

I believe it's important to write good copy for any product you are selling. It doesn't have to be long and wordy but it must be able to effectively sell the product.

However, most listings I see on the MLS do have a description, but the problem is that they often try to emphasize the home's specifications rather than the benefits of those features. Effective sales copy not only captures the audience's attention, it paints a picture and experience for the reader and brings out emotion in the reader.

Let me give you an example.

Typical real estate description:

4BR/2Bath Bungalow in the Kitsilano area, 2 floors, 3 bedrooms up, 1 bedroom down, 2500 sq ft, 33' × 122' lot, gas fireplace, updated kitchen, new flooring, new paint, close to park, view from master bedroom and updated bathroom.

As you can see the description above focuses on stating the features of the home but it doesn't explain the benefits of the features and it seems very plain and boring.

Same home but written as a sales copy:

Embrace the Kits Lifestyle!

This beach area 4BR/2Bath, 2500 sq ft character home is situated right across the park. Only a short walk to Kits beach and neighboring trendy bistros, this home is centrally located. Enjoy mountain views from the master bedroom with an updated spa-like master ensuite to make this your getaway. Newer hardwood flooring and updated contemporary chef kitchen for your culinary pursuits with a fireplace in the spacious living room, perfect for tea and entertaining. Don't miss out on this rare find.

Can you tell the difference? Did you see the hook or attention grabber, "Embrace the Kits Lifestyle" in the 1st sentence?

When reading this, can you see yourself visualizing the type of neighborhood this is in? Detail was inserted about how close it is to the park and beach and how you are in the vicinity of trendy restaurants to help you picture yourself in a hip and friendly neighborhood.

Every feature mentioned in the description has a partnering benefit so you can see how the feature applies to you.

Rather than stating an updated kitchen, a "contemporary chef kitchen for your culinary pursuits" paints a picture that it is more than just an updated kitchen. It is a kitchen that is made for an executive chef. It allows you to visualize yourself baking and cooking in this extravagant kitchen that was made for culinary professionals.

Even the fireplace is placed alongside a spacious living room to help the reader see that it is a warm and cozy environment for entertaining guests and family.

By the end of the description, if the sales copy was written well, readers should have been able to visualize themselves in this home. The visualization is important because it likely stirred up some emotion. If your sales copy can stir up emotion in a reader, something happens psychologically in their mind.

They are going to be experiencing curiosity, or they may be feeling turned off because the picture you painted is not what they were looking for or they may be feeling a desire to want to see the home because the picture you painted lit a desire in their heart.

Lastly, to close I inserted "Don't miss out on this rare find" which is a call to action for those interested readers who have been sold to proceed to the next step which is to go and visit the home. The call to action can be creative too, instead of just, "call now", I wrote "rare find" to subtly insinuate that the property has an aspect of scarcity. This often promotes urgency.

I have just described above the 3 easy tips on creating good sales copy for your home. Below is a summary of the 3 tips:

1. Hook – have an attention grabber in your description.

2. Paint a Picture to Stir Up Emotions – try to attach benefits to the features you list out, try to help readers visualize themselves using the living space in the home.

3. Call to Action – don't forget to insert a call to action to lead readers on to the next step.

#7 – Driving Away Buyers by Overpricing Your Home

A common mistake that many sellers make is trying to ask for too much for their home. They think, "what's the big deal? Who knows, I might get lucky with someone who'll fall in love with the home and pay me what I think it's worth."

The fact of the matter is, overpriced homes don't sell, they sit… on the market that is.

There are very few homes that sell for above market value. Those homes are usually very unique and rare and have particular characteristics and features that allow it to command a premium. Such characteristics may include 1 or more of the following:

- an unobstructed view
- an elevator
- a substantially large lot
- the home designed by a famous architect or interior designer
- state of the art heating and cooling
- state of the art appliances
- rooftop deck
- state of the art home theater
- a waterfall
- a state of the art indoor/outdoor swimming pool
- outdoor tennis court
- indoor basketball court
- smartphone controlled technology
- and much more

You might think your home is unique but it's best to consult with a REALTOR® to determine what it's worth. Even if your home has a unique feature, it doesn't make it special enough to command a premium if all of your neighboring properties have that same unique feature.

Why do the overpriced homes sit on the market?

Well, most buyers do their homework when shopping for a home and if your home is worth $850,000 but you price it for $1,050,000, buyers are going to compare your home to the other homes asking $1,050,000. Chances are, homes asking $1,050,000 will be superior to your $850,000 home and buyers will buy your competitors' homes and not yours.

Can't I just price it high to test the market and then reduce it later?

Yes, of course. The downside is that homes typically have the best chance of being sold in the first month or two on the market. The same goes with any new product launch. Most sales of a new product launch happen in the first few weeks and then the fairytale phase of owning the newest product on the market slows down and sales start to slow down.

This occurs in new consumer product launches all the time because there is a period of time where companies release prelaunch content to build suspense and hype over the product. The wait for consumers just heightens their desire to buy, just like waiting in line for a popular restaurant gives you the perception that the food must be good.

This is also coupled by the fact that consumers often want to be the 1st to own the newest gadget or consumer product on the market.

In real estate, developers often release information about a new development long before it is available for purchase to build the same sort of suspense and hype.

Then they create a line up on the public grand opening and gather a large crowd to spark a Boxing Day type environment with the goal of creating an urgency to buy for buyers who believe they are competing against other buyers.

For the typical homeowner trying to sell their residential home, this kind of prelaunch strategy is not often seen in Vancouver. However, when a new home is listed on the market, the busiest open house is typically the 1st open house which is when the most buyers will go and see the place.

The number of buyers at the open house is much higher if the property is priced well too. At the 1st open house, the crowd will also spark some buyers to go into an urgency mode and will be tempted to quickly write an offer lest they wait and find themselves in a multiple offer situation.

However, if the home is priced too high, the 1st open house will have less visitors and the smaller crowd there will give off the signal to visitors that the home is not that desirable.

Also, the longer a home sits on the market, the more future buyers will form suspicions,

"what's wrong with the home? It hasn't sold. There must be something wrong. Otherwise it would be sold…"

Lastly, price reductions may indicate to buyers that there will be even further price reductions and so buyers may tend to take the "wait and see" approach.

#6 – Not Depersonalizing and Decluttering

I mentioned earlier about creating a picture through the description and helping buyers visualize themselves in your home. When buyers walk into your home, they want to continue with that visualization exercise.

They don't want to see your family pictures, awards and memorabilia. These things distract a buyer's attention. Buyers start to paint a picture about the seller who lives in the home instead of picturing themselves buying and living in that home.

I remember going to homes and seeing pictures and I always look at the pictures.

"Let's see who owns this home… oh, so here's their diploma, so they're a doctor… oh, so he has joined these competitions and won these awards…"

I'm sure you've done the same. The pictures and awards are just screaming out saying, "LOOK AT ME, READ AND ADMIRE ME!"

The process of depersonalization is putting away the items in the home that define you. You are preparing the home to be sold and you want to personally detach yourself from the home. You are no longer trying to make the home appealing to you. You are now trying to make the home appealing to the majority of buyers.

There's a reason why developers' presentation centres or staged homes do not include any personalized pictures.

If I Put Away All Those Pictures, My Walls Will Look Naked

This is where you can start to add some abstract paintings and pictures, sculptures and other works of art to those naked walls. Try going to coffee shops and hotels and see the types of art that they put on the walls. It brings peace and serenity to the place, doesn't it?

EXACTLY!

That's what you want buyers to feel when they enter your home.

Depersonalization doesn't just mean putting away your personalized pictures. If you have rearranged furniture to match your particular lifestyle preferences or needs, such as, placing the dinner table in front of the TV, placing a mini fridge beside your office desk, etc…

Try to arrange the furniture in the house so that it looks like you're walking into a show home. I can't tell you the number of times my buyers walked into a home where it was filled with family vacation pictures and Canucks jerseys and their children's sports team awards and my buyers spent time looking at the pictures and figuring out whether they know the seller or not.

"Oh, the seller is part of the dragon boat club?
Oh, he attends Toastmasters? I might know him.
I like her outfit in this picture. This picture looks good,
but not this one…"

Having buyers admire or critique your pictures is not going to draw them closer to buying your home. In fact, this strongly diverts their attention from the renovated crown mouldings, new paint, new flooring, excellent floor plan layout, etc…

Not only do you have to depersonalize the home that you're going to sell, you need to declutter. Have you ever been to a home where you need to walk around lots of furniture and heaven forbid, have to climb over things to get around the house?

Decluttering is the process of removing excess furniture and stuff around the home for the purpose of emphasizing the open space your home provides. You are trying to provide good traffic flow when buyers walk through your home. They shouldn't be taking multiple sharp corner turns around furniture inside a room to get to the next room.

I took Joe and Elaine to 2 apartments in the same building. Unit A was a penthouse, larger unit, but since it was tenanted, there was clutter on the floor and furniture wasn't arranged very well. Unit B was a 2nd floor unit, smaller unit, and the homeowner had decluttered and staged it with personal furniture and it gave this clean and spacious feel to my buyers.

I, as a REALTOR®, could tell that the Penthouse was more spacious but Joe and Elaine felt that Unit B was a better layout and it was because Unit B had been decluttered and personally staged. I explained that Unit A would look and feel a lot differently if it had not been tenanted and had been staged.

A cluttered home gives buyers a claustrophobic feel and it contradicts with the serene, peaceful visualization you want to impart onto potential buyers. Limit the number of pieces of furniture in your room. Often times, less is more. Help buyers visualize your room as large and spacious and that there's plenty of room for them to place their furniture in.

#5 – Not Doing Professional Staging

The first thing that comes to people's minds when they hear the word "staging" is hiring a staging company and paying thousands of dollars per month to rent trendy, contemporary furniture to place in their home.

They think,

> *"why do I need to pay thousands of dollars a month to stage my 600 sq ft apartment that I'm trying to sell for $300,000?"*

First of all, let's address the purpose of staging. Staging is the process of placing and arranging furniture, art work and design pieces, designed to create a look and feel to a room. It's about creating a showroom environment for buyers entering the main living areas of the home.

Having said that, nowhere do I say staging requires you to hire a professional staging company for this to happen.

Sellers can go out and buy inexpensive, trendy furniture, art and design pieces and do the staging themselves or sellers can use their own furniture and art to create the same environment.

The main requirement for sellers who want to do it themselves is they should have some sense of design and know what looks like the showroom look.

The other option for sellers is what I mentioned earlier and that is to hire a professional staging company to do the staging for you. There are several staging companies out there. Some will rent out the furniture to you, some will rent out the furniture and they will help you stage the home.

I don't typically advise sellers to hire a professional staging company unless they're selling a high priced home that is vacant. If the home is vacant, I may recommend the client to either stage their home with some of their own furniture or hire a staging company to stage the home for the 1st month or two.

Recall I spoke earlier that a new listing usually gets the most response in the 1st month or two and is most likely to sell in that time. If you're planning to pay for professional staging, this is the ideal time to do that.

However, for most sellers, it is sufficient to just stage the home with their own furniture and do the other things mentioned in this chapter.

#4 – **Avoiding the Minor Renovations/Repairs/Updates**

I've listed homes where buyers go in and they just stroll around the house and admire the beauty of the place. I've also listed homes where buyers would go in and test everything.

They turn on the taps, open the refrigerator, open the closet doors, open the kitchen cabinets, etc… Then they start nitpicking every nook and cranny in the entire home.

"Why is there a scratch on this door?"

"The paint is chipped here"

"Wow, they've got a lot of stuff in their closet, is there room to fit my clothes?"

"How come the toilet seat is wobbly?"

"This light bulb is out, it needs to be replaced."

"The flooring is not even"

"The baseboard moulding is dirty"

"What's wrong with this door's hinges? It doesn't open and close well."

I kid you not, these are true statements I heard from buyers. A lot of the times, the buyers are just extremely picky. On other times, the buyers are justified when they point out things in the home.

So your goal was to bring buyers into your home and visualize themselves in your beautiful home and instead of them admiring the beauty, they get distracted by a number of things that could have easily been fixed up.

Let's go over a few of the more popular items that buyers typically get distracted by.

1. Marks/Dents – If you have any dents or holes in any of your walls, fix them. These are just eye sores to any home. The room could be beautifully staged, filled with light and capturing the aura of awesomeness and then I'll hear, "uh… what's that?"

It reminds me of the episode of Seinfeld long ago when George bought Elaine a cashmere sweater and she was so happy until she found out that it had a red dot on it.

That dent in the wall will immediately cause short term memory loss and they'll forget how beautiful that room was or even the house. All they'll be able to talk about is that dent.

The same goes with large marks caused by moving your furniture or if you have children who have run their crayons everywhere to make their mark, it's time to bring out some soap and clean that up.

One of the best ways to get rid of marks is to just give your home a new paint job. It's incredibly inexpensive and it easily changes the look of a room. Just make sure you pick the right color and do a good painting job.

If you're artistically challenged like me, it's better to hire someone to do the paint job than to leave globs of uneven paint on your wall and get stressed because you've got paint all over the place.

2. Hideous Flooring – Dirty carpet is a huge culprit in this area. Nothing is more distracting than walking on filthy carpets. Buyers' eyes just keep looking down because they're afraid of stepping on something gross. If your carpets are just slightly stained, then steam cleaning might work.

However, if your carpets are over 10 yrs old and buyers can't tell what the original color is, then it's probably time to spend the couple thousand to replace them.

On the other hand, your flooring could be so clean you could eat off of it, but if you've got outdated flooring or flooring that doesn't really suit the room, like tiles in the living room or bedroom, linoleum in the kitchen, carpet in the bathroom or no flooring and just concrete, then it's probably a good time to get some new flooring.

Lastly, damaged flooring is also an eye sore. For example, laminate flooring can get easily warped and damaged by water if it's not wiped up immediately. Cracked tiles should also be replaced as it signals to buyers that maybe the foundation is sinking which leads to the cracks in tiles.

The moment you mention anything about foundation, buyers think it's huge and are usually extremely concerned.

Homes will settle over time and it is normal if the foundation is not completely flat. The same goes with high rise and low rise condos. However, please note, the type of foundation settling should be very minor.

If there's major settling in the foundation, then there's a problem and an engineering company should be consulted.

3. Roof – Roofing for homes typically last about 25 years. If your roof is 30 yrs old and you've never replaced it or maybe it's 20 years old and there are broken shingles and holes and stuff, it's time to replace your roof.

Don't wait until buyers do a home inspection to discover it. They will either ask you to reduce your price significantly, sometimes asking for more than the cost of the repair or replacement of the roof or they'll just walk away from the deal. Either way, it'll waste your time and just give you a headache.

You wouldn't sell your car to someone where the brakes have 5% left in them, right? So, why would you sell your home where the roof is falling apart?

4. Mechanical Issues – As I mentioned earlier, buyers test EVERYTHING. You'd be surprised. I heard a buyer say to me for my listing that the bathroom faucet doesn't work, the shower faucet doesn't work, the windows don't open and close smoothly, the closet hinges don't close properly, the toilet seat is loose, the hood fan doesn't work, etc…

This doesn't look good to buyers. After a while, they get sick and tired and they think the whole home hasn't been maintained.

I know many of these items aren't major and homeowners often ignore, forget them or put them on the low priority to repair column. But, if you're putting your home on the market, do your best and try to repair/replace these things. There are not just a few picky buyers out there; there are a LOT of them.

#3 – Floor Plan

For some homes where space is limited, a floor plan is great for buyers to see if their furniture can fit in certain places. Many buyers appreciate a floor plan because they'd like to be able to see the layout of the home before going out to visit the home in person.

I have a dream of wanting a home where in the basement, the layout consists of a large recreation room that can fit a full size 8 ball pool table and a home theater room right beside it.

Some buyers have particular ideas of the layout and a floor plan can really help these buyers and make your home stand out.

When you get a professional floor plan done, the technician will also measure the rooms for you and provide you accurate measurements as well.

REALTOR®s are trained to measure rooms as well, but when I feel a floor plan is needed for the home, I get one done and it saves me the time from physically measuring the rooms myself.

If you're not sure whether you need a floor plan or not for your home, consult your REALTOR®. Some sellers don't like a floor plan to be done as well because they don't want to reveal too much of their home on the internet because a floor plan can be a helpful tool in the hands of a burglar.

#2 – Landscaping

You don't want to make buyers walk through a jungle with machetes chopping at brush and branches just to get to the front door of your home.

If your home has an ***excessive*** amount of unpruned trees, brush, weeds, grass, flowers, it's time to do some gardening. Curb appeal is huge in the eyes of buyers. If your home is covered up and can't really be seen clearly, that's not a good thing.

Many buyers want their home to look great on the exterior and if your home doesn't, then it's not going to give them a great first impression and you know what they say about first impressions.

You only get one of them.

If you give them an eye sore even before they get to the door, your chances are slim for getting them to fall in love with your home.

Even if you impress buyers with an impeccable interior and they do decide to write an offer, the offer will not be as high because of the money that the buyer will need to spend to clean up the exterior.

Landscaping is cheap, maybe less than $100 to a couple hundred dollars at most for most homes. Cut the grass, fertilize the grass if the grass looks yellow and it's dying. Prune the branches sticking out to the walkway. Buyers don't want to be doing the limbo to avoid branches or worse, if they get hit by a branch, that's not going to be put them in a good mood.

#1 – Dirty Home

Have you ever been to a home where it feels like you're walking on a farm? Every step you take you're looking down to make sure you're not stepping in something you shouldn't be stepping on.

The worst words you want to hear from a buyer is "ewww" because your home is filthy and it stinks. If your home is dirty, clean it. A filthy home tells buyers the homeowners have not maintained their home and causes buyers to suspect what else has not been maintained in the home.

A dirty home grosses out buyers and most buyers buy based on emotion and if they're feeling grossed out and uncomfortable, you can forget about the 2nd showing, let alone an offer.

Even if your home is staged, decluttered and depersonalized, buyers will walk out the door if your home is disgustingly dirty. But that's usually not the case. Homes that are really dirty are usually homes where the homeowners were hoarders and the home is usually cluttered.

However, I've seen homes that are not cluttered, looked a little bit dirty but they had a mice infestation. Buyers can tell when they walk through the home. Are their fruit flies flying around? Has the garbage been taken out regularly or does the home smell like garbage

If your home has odors based on strong smelling food that you cook, such as kimchi or curry, then you need to deodorize the odors. You probably can't smell it because you're used to it. It's like if you eat garlic all the time, you probably don't notice you have garlic breath.

Another odor to watch out for is the sewer odors that get inside of your home. You may need to check the P traps and vents in your home.

Here's a great resource to check out: www.pawpaw.net/Portals/38/docs/SewerSmells.pdf

To briefly summarize that document, there's a P shaped pipe underneath the sink and shower drains in your home. This trap has a bit of water there to prevent sewage gases from entering your home. If they haven't been used for a long time, as in the case of a vacant home, the water in the trap evaporates and the sewage gases can get inside your home.

In this case, run the bathroom taps for a while to get rid of the smells and to fill the pipes with water again.

Other smells that bother buyers are pet smells. If you have pets, you have to be extra diligent when it comes to cleaning.

Make sure your pet is not in the house and put away pet food dishes and toys when showing the home.

I worked with Patricia and Sam and we were looking for a house in East Vancouver. We saw a few houses that had potential but because there were signs that there were pets, my buyers walked out immediately because Patricia has a pet allergy.

Many buyers have pet allergies and so you do not want to scare them away with obvious signs that there is a pet in the home.

Even if the buyers ask and you tell them you own pets, you want the buyers to have an impression where they could hardly tell that the home had pets in there.

Not only are some buyers allergic to pets, but some are afraid of certain pets. Worse is if you have a pet and it bites or scratches a potential buyer, you're not going to be leaving a good impression and things could get legally complicated.

Lastly, a dirty, smelly home may cause buyers to suspect whether there is a rodent infestation in your home. Have you had rodent infestation in the past? If yes, did you hire a pest control company to go and evaluate your home to see whether there were any holes in your home that rodents could potentially get into your home?

CHAPTER 9

How To Sell Your Home Without An Agent

You're a homeowner and you're looking to sell your home. You want to be a "For Sale By Owner" (FSBO). You know others use the services of a professional REALTOR® but you just want to try to do it yourself.

Let me tell you that it ***IS*** possible to sell your home without a REALTOR®.

Gary, you're a REALTOR®. Of course, next you're going to say how ineffective or inefficient it is to sell the home by yourself, aren't you?

Many homeowners do it. Some do so successfully and some not as successfully. What differentiates them? REALTOR®s have access to many tools that you don't have access to. REALTOR®s have a network of other colleagues who they can promote their listings to.

However, a lot of information and tools can be obtained by you as well.

Below are some key ways and steps you can take to sell your home without a REALTOR®. Although the steps and methods below take a lot of effort on your part, if you take the time to implement them effectively, you can easily sell your home without a REALTOR®.

So, let's get started.

Pricing

How much is my home worth? What did the home down the street sell for? How much should I price my home for?

These are all legitimate questions you're going to ask in order to figure out how to price your home. A REALTOR® can easily go into their system, look up some comparables, analyze the market and then come up with a fair market value range for your home without even looking at it.

You, on the other hand, have to do some work.

There are 3 things you'll have to look at to determine pricing for your home: market evaluation, market seasons and market trends. We'll discuss market evaluation in this chapter and discuss market seasons and market trends in a later chapter.

Market Evaluation

So, you want to find out how much your home is worth. The information you need is the recently sold properties in your neighborhood if you own a home or it's the other units in your building if you live in a condo that are comparable to yours. These are called your comparables.

Believe it or not, the public ***has*** access to this information… at a cost.

Go to the New Westminster Land Title Office and look up the comparables that have sold recently. Here's a link to their contact information: www.ltsa.ca/cms/land-title-division-land-title-offices

You can then pay the Land Title Office for the documents for each home that sold. The cost is around $10. You'll need the Property Identification (PID) number that you can obtain from the BC tax assessment website, evaluebc.bcassessment.ca

You can find these links and other bonus resources on my website and by contacting me at www.garywongrealty.com

The BC tax assessment website is a free source where you can get tax assessed values and basic information for any address in Vancouver, so if you're ever curious what your neighbor's tax assessed information is, you can easily find out.

If you notice that your tax assessed value is lower or higher than your neighbors and you don't think it's justified, you can dispute the assessment. If it's particularly high, some homeowners dispute it because they generally have to pay higher property taxes because of that.

However, it's a good thing if they're looking to sell their home because buyers will see that they're home's tax assessed at a higher amount and they can potentially list their home at a higher price.

If their tax assessment is particularly low, homeowners may be paying less in property taxes but buyers will likely see the low tax assessed values and offer a lower price for the home because they'll perceive the home to be worth less.

Let me make it clear though that BC tax assessment is simply ***ONE*** factor to determining market value for your home.

Homes sell for above and below BC tax assessed values all the time.

Back to getting those comparables at the Land Title Office, make sure you use comparables that are recent.

What's considered recent?

You want to use a period of time where the market has been stable. If the market has been the same for the past year, then you can use comparables from up to a year ago. But if the market had been the same for the past 3 months but was different 4 months ago, use comparables within the 3 month window.

How many comparables do I need?

You only need a few, maybe 3 or 4. Then, you compare those listings that sold. Besides comparing the obvious such as bedrooms, lot sizes, square footage and zoning, you should be comparing the following:

Did the other listings have a view? Were they renovated? How nice were the renovations? Were they rented? What kind of repairs or updates did they do? Which direction did they face?

Note the similarities and the differences and then that should help you to come up with an idea of what your home would sell for.

Preparing Your Home For Sale

Many of the things outlined below I mentioned earlier. But it's a good idea to repeat myself because I can't stress enough the importance of the following things that should be done to really make your home stand out.

Many times homes don't sell because of 3 reasons. They either don't show well. They're not marketed properly or they're priced incorrectly.

a) Decluttering

To make your home show well, make sure the home is decluttered. No one wants to buy the home of a hoarder.

How can you tell if your home is too cluttered? Read the questions below and answer with a Yes or No.

Does it feel like a traffic jam going from 1 end of the home to the other end?

Do you have to dodge cabinets, shelving, sofas, tables, desks, lamps and bookcases or do you have to duck, step over or jump over things to get to where you want to go in the home?

When you look at your rooms, do you see more furniture than open space?

Are your closets jam packed with stuff?

If you have answered Yes to 1 or more of the questions above, then your home likely needs some decluttering. Believe it or not, buyers do look inside your closets to see if there is enough space to put their own clothes. So, if your closets are jam packed with clothes and other things, it doesn't look very spacious to buyers.

Pack some stuff up and put it away in storage somewhere.

b) Cleanliness

In terms of cleanliness for the home, no one wants to see your home looking like the morning after a frat party. Make sure your home is spotless.

I'm not saying there can't be a spot of dust in the home. Everyone has a different standard of cleanliness. But, there definitely shouldn't be mildew in the washrooms, stains on the walls and spills or dirt on the floors.

If you're not a very clean person, hire a maid and get them to spend a day cleaning your home. When the maid is done, you'll know what clean actually means.

c) Depersonalization

We also talked about depersonalization and staging earlier. When you bought the home, you personalized it with your furniture, your certificates and awards, your family photos and your art and décor. Now you're selling the home, it's time to depersonalize. Remove or hide the things in your home that bring attention to you. That means pictures, awards, medals and such.

The goal of depersonalization is to help buyers visualize themselves in your home. Your family photos or your awards and certificates distract buyers from picturing themselves living in your home.

d) Staging

After decluttering and depersonalization, it's time to stage your home. You can hire a staging company to professionally stage your home or you can stage it yourself using your own furniture or some furniture you buy or rent. Yes, you can rent furniture. Google it, there are some local companies who do that for film sets, interior design studios, etc…

The goal of staging is to make your home show like a showroom. You want to minimize the amount of furniture in each room. Less is more. You don't want too many sofas or tables in a room.

Try placing flowers in the center of your dining table as well as fine dining table settings too. For tables that seem empty, you can put some art sculptures and décor and for large naked areas of the wall, try placing some inexpensive art canvases or paintings on there.

You can also place some empty fancy abstract photo frames around too so buyers can visualize placing their own family photos there.

IS YOUR HOME MARKETED PROPERLY?

Even though you're selling the home without a REALTOR®, you can still list your home on the MLS. There are local companies out there that provide kits to sellers who can list their property on MLS for a small fee.

So once you get your home on the MLS, you need to market it properly on the MLS. Don't make these ***COMMON*** marketing mistakes on the MLS.

a) Missing Measurements

I see homes all the time on MLS that are missing measurements. For whatever reason, the measurements weren't included. That's like going into a car dealership and buying a brand new car and when you read the brochure, beside leg room, shoulder room, head room or trunk space, it's blank.

I don't know about you but when I am shopping for a car and I want to know how spacious the car is, I compare these measurements with other car brochures to see which ones are more spacious.

Before you place your home on the market, you have to make sure that your home is measured accurately. For exterior measurements of a house, you can use your local city hall's Geographic Information Systems (GIS) map to find that information.

Below are the links to some of the local municipality GIS maps:

Vancouver – vanmapp.vancouver.ca/pubvanmap_net/

Burnaby – webmap.city.burnaby.bc.ca/publicmap/

Richmond – rim.richmond.ca/rim/
Coquitlam – gis.coquitlam.ca/apps/qthemap/
Surrey – cosmos.surrey.ca/external/

I can provide you more useful links, just contact me at www.garywongrealty.com

The great thing about the GIS maps is the ability to check so many other features. You can see where sewer lines are, easements, zoning boundaries, etc…

If your property lot is a rectangle shape, like 33' × 122', then it's easy to calculate the area. But if your property lot is a unique quadrilateral or triangle, the GIS system allows you to calculate the area of the lot with just a few clicks.

If your home is a condo or townhome, then you can find square footage in your strata plan. Contact the property management company for those documents or if your complex is self managed, then you can contact your strata council.

Your property management company also keeps copies of strata meeting minutes and other important documents such as the Form B, Rental Disclosure Statement, Financial Statements, Engineer's Reports, Depreciation Reports, etc…

Every time your strata council has a meeting, you will receive a copy of the meeting minutes, either in the mail or they'll be hosted on the property management's website and you can obtain login information to access those documents.

If you are receiving these minutes in the mail, make sure you keep them as buyers will want to read them to learn about what goes on in your complex. If you threw them away, you may have to pay to obtain a copy of them from the property management company.

Also, sometimes it is difficult to measure your home because the layout is very unique and so I would recommend hiring a measuring company to do the measurements for you.

There are many local measuring companies that provide accurate measurements for every single room of your home. They even measure balconies, patios and garages too and provide a floor plan for you as well. Some give the option of providing a 2D or 3D version of the floor plan. They charge around $0.10/sq ft for the whole package.

b) Are You Using Amateur Photos and Videos In Your Marketing?

Remember, getting your home on the MLS is just one step. People can browse your home from the MLS, but your job is to get viewers to stop and look at your ad for more than a few seconds and since there's hundreds of homes on MLS, you've got lots of competition.

If it isn't marketed properly, viewers will easily scan your ad like an HR recruiter scans a stack of a few hundred resumes. You've got about 10 seconds to make the viewer look at your ad a second time.

"A picture speaks a thousand words" is the common saying and it's very accurate in Real Estate. Without professional, attractive pictures, your ad is easily lost in the ocean of other ads.

You've heard the saying before. You've only got one chance to make a first impression. If you don't get a viewer's attention the first time around, they're not going to look at your ad again and you've lost that buyer for good.

So, BEFORE you put your ad on the MLS, you'll want to take some professional photos and video. I wouldn't recommend using your cell phone camera to take pictures of your home. You're not selling a sofa on Craigslist, you're selling a home that's hundreds of thousands, if not millions of dollars.

If you are a professional photographer, great! If not, hire one for a few hundred dollars and they'll provide you with around 20–30 edited, photoshopped, professional pictures.

A video or virtual tour is a great marketing tool to showcase your home, but it depends on the home. Some homes may have a very unique layout where you may want to just use professional pictures to drive visitors to the home. You may also have a concern for privacy, not wanting the public to see too much of the interior of the home.

That is also a reason why some MLS ads only showcase a few pictures. It's actually a marketing strategy. They want to just give viewers a teaser and get viewers to actually schedule a showing to see the home in person.

One time I had a listing and I wanted to do some videography but I talked with my real estate videographer and he suggested not doing the video because it may showcase how narrow some of the rooms looked through the video and so I took his advice.

c) Is Your Home Priced to Sell?

Is your home priced to sell or priced to sit?

If it's not priced to sell, it's going to be sitting on the market for a while.

Now that you've done a market evaluation for your home, you want to price your home to sell. Look at the comparable solds and see what they are selling at. If you're selling a condo, make sure you're comparing units in the same building, the ones with the same number of bedrooms and bathrooms, and ideally with the same floor plan.

Then compare the sold price, using price per sq (square) ft (feet). If recent comparable units are selling for \$400,000 to \$425,000 and they were 850 sq ft, then the price per sq ft range would be \$400,000/850 = \$470.59/sq ft to \$425,000/850 = \$500/sq ft.

Let's say your unit was 900 sq ft. If the sold range is \$470.59–\$500/sq ft, then your home will likely sell within the range of \$423,531 (470.59 × 900) to \$450,000 (500 × 900).

But, like I mentioned you also want to see if you have competition for your unit. Are there other active listings in the condo building that are similar to yours? If you price your unit for $450,000 but your competitor's listings are all at $425,000, chances are, offers are going to be written for their units before yours.

For houses, it's not as simple as price per sq ft. Depending on the age of your home, the amount of renovations or updates you've done and even the neighborhood, your home's value could fluctuate greatly. A home on one end of the block could be completely different from a home on the other end of the block.

The key to comparing houses is to compare houses with similar square footage, similar lot sizes, similar age and similar renovations and condition.

If your home is not in a great condition and it's fairly old, it'll likely be targeted by builders and it'll likely be compared to similar homes that sell for land value. If your home is brand new, then it'll be compared to other comparable brand new homes that have sold recently.

If your home is priced to sell at land value, take a look at what other land value homes are selling for in the area. If a home on a 6000 sq ft lot in the area is sold for land value at $2,000,000, then you can calculate the approximate cost of land as 2,000,000/6000 = $333.33/sq ft of land.

Then if your home is on a 5000 sq ft lot, then you can estimate that your land value may be around $1,666,666 (333 × 5000).

With homes, you also have to watch whether there are many competitors out there. If you have a 33' × 122' bungalow in Marpole built in 1986, are there other comparable active listings around you? If there are, then not only should you price it within the accurate range, but you would want to price it a little lower than your competitors.

Ultimately, you want to price your home to sell. Don't try to test the market by pricing your home too high. Some homeowners want to price their home high because they want to give room for people to negotiate. These people are worried that if they price their home accurately, they'll have to drop the price significantly due to negotiations and sell below market value.

If your home is priced to sell, you don't have to worry. You should be confident because you know that's what your home is worth. If someone wants to pay less, ignore them. Don't let their low offers phase you. You can justify your asking price but buyers with low offers won't be able to justify their low offers.

However, if you're priced high, you can't justify your asking price. Buyers will think you're not a serious seller. They'll likely just ignore your home altogether. They don't want to waste time even negotiating with you if the asking price is way out there.

But what if I get a buyer who doesn't know the market and will bite on the bait?

People who are spending hundreds of thousands of dollars or even millions of dollars on a piece of real estate are not ignorant. They'll likely have REALTOR®s helping them analyze what the property is worth or they will have studied the market long enough to know what homes they are looking for are worth.

Are there some ignorant buyers out there? Yes. But there are so few of them that it is not worth it to scare away 99.9% of the buyers just to target the 0.01% of the buyers that "might" buy your home.

Don't forget, there are a bunch of sellers out there who overprice their homes too, so even if you do meet that rare buyer who will overpay for real estate, they'll be bombarded by other overpriced real estate out there, so the chances for them to overpay for your particular home is slim to none.

d) Where to Advertise, Writing a Great Description and Open Houses

If you want to be an effective FSBO, you'll need more than just an ad on MLS. To attract buyers, you need to advertise your home on popular real estate websites. Although putting the home on the MLS is the most important place to advertise, there are other places you can advertise as well.

Note that advertising using different mediums usually targets certain types of buyers. Advertising on Craigslist, you're probably targeting renters who are looking to buy as they are on the website looking for other places to rent. These buyers may be interested in rent to own options which we will discuss in a later chapter.

The Vancouver Sun typically targets an older crowd as many of them have been reading the daily paper for years as a daily ritual.

Then, there is the Real Estate Weekly, that isn't as popular as before when the MLS didn't exist. This paper is usually targeted towards the older crowd as well who have also been reading the weekly paper for years.

However, the online version of Vancouver Sun and Real Estate Weekly have been gaining traction in recent years and targeting a younger crowd.

Make sure before you put your ad on MLS and when you're advertising on these websites, you write a compelling and stellar description for your property. Don't just write simple and basic features. Try to stir up emotion in your writing. You are writing an attention getting ad, so you'll need to explain the benefits of those features and hook readers' interests.

Write the date and time of when the 1st open house is and which number to call and mention how flexible showing requests will be.

When you start receiving calls for showings, obviously, the more available you are for showings, the easier it is to accommodate to all sorts of buyers. Buyers are often looking at many homes, sometimes on tours with REALTOR®s and if you can't accommodate to their schedule, your house will often be left out of their list.

I work with buyers all the time and I schedule tours with them and often the listing agent can't show a listing during the time I'm doing the tour. When I let my buyers know that, 99% of the time, they do not ask to reschedule. They just skip that listing altogether.

It's absolutely crucial that you are flexible and able to accommodate to various showing times.

You want as many showings as possible because all you need is 1 buyer and the one that you turn down may be the one that was willing to buy your home at your asking price.

I once had a listing where the tenant only allowed me to show the listing on Friday's at around 6pm and because of that I had to turn down about 10 different buyers who might have bought had they had the chance to see the property.

So, since you'll be doing open houses, you'll want to purchase signage. For sure, you'll need a "For Sale" and some "Open House" signage. Some condo buildings don't allow "For Sale" signs to be placed on the property so you should check with your property manager or strata council.

There are local signage companies that can sell you these for around \$50–\$100/sign. Have them create a great, bright design for you or you can hire a designer to do it or you can do it yourself. Don't forget to put your Name, Phone number and Email on the signage.

You'll need 1 large "For Sale" sign to stick on your front lawn if you own a house, a small condo "For Sale" sign for condos and 4–6 "Open House" signs for when you do open houses. You've probably seen "For Sale" signs on wooden T posts on the lawns of homes in the city. You can pay the sign company to have your sign mounted on there for about $20 for every 3 months or so.

When you do your open houses, make sure you have feature sheets and that you strategically place the "Open House" signs on major intersections that will draw the most visitors to your home.

Also, there are different strategies you can use for open houses. For some luxury listings, you may just want to do 1 open house weekend. Too many open houses for the luxury listings can diminish the exclusivity of the property in the eyes of some buyers.

But usually, you want to be doing open houses at least once/month on the weekends. 2 to 4pm is a typical time but it's up to you. You could do 2 to 6pm if you want.

When buyers come in, make sure you greet them, and there are different strategies you could use here too depending on the type of buyer that walks in. Some like to be given a feature sheet, some like to be shown around the home while some just like to be left alone to browse quietly.

Take this opportunity to pre-qualify your buyers. See how serious they are and ask whether they have been pre-approved for a mortgage, whether they've been looking for a while and what other properties they have seen. The more you converse with buyers, the more you'll have an idea of what they're looking for in a home.

By picking up clues based on what they say, you can emphasize certain areas of your home. For example, if you find out that the buyers are looking to upsize because a baby is on the way, then you could emphasize how large your master bedroom is and how it can fit a crib next to the bed. You could also emphasize how your additional bedroom can be used as a playroom.

Help your buyers visualize their furniture and themselves in your home. Paint that picture and that experience for them.

Don't forget to take down the buyers' names and contact information so that you can follow up with them afterwards.

e) Handling Offers

So if your home is priced well and you've followed the tips above, you should be receiving offers from REALTOR®s and buyers.

Since you're selling your home on your own, you don't have a REALTOR® to explain and negotiate offers on your behalf. Here's where you should hire a lawyer specializing in Real Estate to help you with that. It's not mandatory as you can do your own negotiations, but I would recommend you to have a lawyer representing you.

I'm not sure how much it'll cost as it depends on how many offers you get, how many times you negotiate back and forth, etc… Basically, since lawyers charge per hour, the more time you need from the lawyer, the more you'll have to pay.

If the offers are coming in from REALTOR®s, then they'll likely want to be paid a commission for bringing a buyer. That's something that should be displayed when you put your home on the MLS. Make sure you pay fair compensation to the REALTOR® as some don't even bring their buyers to view homes that offer low commission remuneration.

REALTOR®s aren't supposed to do that as they're supposed to be working in the best interests of their buyers but just think about it. REALTOR®s, just like anybody, will be happier and will work harder if they're compensated fairly.

f) After an Accepted Offer

For a majority of sellers, they'll be receiving accepted offers with subject clauses.

For homeowners of single detached houses:
There'll likely be a subject clause to obtain financing, the title search, the property disclosure statement (PDS), a home inspection and property insurance.

These subject clauses will be for the sole benefit of the buyer and will be removed on or before the subject removal date or else the contract will be void.

There'll also likely be conditions on the contract such as the Seller warrants to the best of their knowledge that the home wasn't used as a grow op, that the Seller will remove all junk and debris from the home and the Seller will shampoo the carpets or something like that.

At this point, it's up to the Buyer to do their due diligence in obtaining the necessary financing and arranging for a home inspection. You, as the homeowner don't really need to do much during the subject removal period except for keeping your home neat and tidy and being available to accommodate the home inspection.

I mentioned earlier in this book that you should be maintaining your home and doing minor repairs and updates as necessary. You've impressed the buyers enough to get you an accepted offer, now you need to pass the home inspector's test.

If there are items in your home that can be fixed but the buyers haven't noticed, now is a good time to fix them. These may include a leaky faucet, a cracked tile, a damaged roof shingle, water ingress behind bathroom tiles, etc…

Most of these items should have been repaired prior to listing your home on the market, but if they haven't been addressed, this should be of priority.

Why you ask?

You don't want the home inspector to scare buyers away with a long list of "to fix" items.

Even if the long list doesn't scare away buyers, it'll give them a reason to come back and ask for a further price discount which is usually greater than if you had paid and had those items fixed in the first place.

For example if the list costs about $15,000 to fix if you paid someone to do it, buyers may ask for a price discount of about $25,000 to be on the conservative side.

Once the home inspection passes and the buyer is satisfied, the deal will likely close. A subject removal addendum will be signed by the buyer and the deposit will be submitted to the real estate brokerage's trust account of the buyer's agent.

At this point, you will work with the lawyer that has been assisting you all this time to help with the conveyancing of title.

For homeowners of condo units:

You'll encounter the same subject clauses with a few additional ones. In addition to the subject clauses of the title search, PDS, home inspection and property insurance, buyers will want to read and approve the following strata documents:

- Form B
- Monthly meeting minutes or annual general meeting minutes
- Rental disclosure statement
- Engineering Reports
- Strata Plan
- Strata bylaws
- Financial Statements
- Documentation confirming parking and storage locker allocations

Buyers want to know the condition of the building. If it's not a brand new building, they want to find out 3 crucial elements: how old the roof is, whether the building has been repiped and whether the building has been rainscreened. These are their main concerns because condo buyers are always concerned about potential upcoming expenses and special levies.

If buyers know that 1 or 2 of the 3 things have been taken care, this will greatly alleviate that concern.

I had reiterated earlier the importance of keeping strata minutes and here is where you can save yourself the time and money required to order these documents from the property management company.

Buyers like to read these documents to find out how proactive or reactive the strata council is. They want to know if they are diligent in taking care of issues that arise in the condo building. Also, meeting minutes is where buyers get to read about all the items that go on in the building.

Some of the things buyers get to find out include if there have been any break ins, water leaks into certain units, people throwing stuff off their balconies, people holding parties, noise complaints, smell complaints, pet complaints, people using their parking stall as a storage compartment, etc…

Most buyers care what kind of neighbors they will be living with so they like to read about the owners and tenants in the building.

The offer that you receive as a condo owner will also likely include conditions that you be responsible for any special levies prior to the completion date and be responsible for advising the buyer of any bylaw changes, such as from allowing rentals to prohibiting rentals.

CHAPTER 10

7 Steps To Find Out What Your Home Is Worth

Have you ever wondered how REALTOR®s determine what your home is worth?

Do you want to know how much work actually goes into determining the value?

Please note that different REALTOR®s use different techniques to determine what your home is worth. I use a combination of different factors to come up with the market value of your home.

Below are 7 steps I go through when I am asked to determine a home's value.

For Single Detached Houses

1. BC Tax Assessment – You too can find this information as it is public knowledge. Go to evaluebc.bcassessment.ca and type in your address. Look at what your home is currently tax assessed at.

How do they come up with this number? BC Tax Assessment employs appraisers who look at the homes in the area that sold and will try to use comparable homes. Sometimes their numbers are not that accurate, but it's an estimate for the province to be able to determine how much to charge you for property taxes.

Say, the year is 2014 and your home is tax assessed at $2,500,000. Do note that the actual land appraisal was done in June/July of 2013. Further, the house appraisal was done in October/November of 2013.

But no one even came to my home, how do they know of the extensive renovations that I've done to my home?

Great question!

They don't.

Hence, the figure is just an estimate. When you go to the website, there is some square footage listed there for your home. How did they get that square footage? There are 3 ways they could have gotten that number.

First, they could have gotten that number from the original building permit when the home was first built. Second, they could have gotten that number from someone applying for a permit to build an extension in the home where an inspector would have needed to go out and approve it. Third, an appraiser actually went out to the home and measured the home.

You can actually go to the BC Assessment office and find out which method they used to get that number. But the point is, the information on the website is not always 100% accurate.

Therefore, do not rely on the BC assessment alone as an accurate measure of what your home is worth.

Once I find out what your home is tax assessed at, I go to the next step.

2. Comparables OR Land Title Office – To find comparables for your house. I look at comparable houses in your neighborhood through the REALTOR®'s MLS system. Unlike the public's MLS access through www.REALTOR®.ca or www.mls.ca, REALTOR®s have a much more comprehensive system with the same information but just significantly more of it.

I can access the sold history, tax history, expired listings, cancelled listings and have over 200 search criteria tools to search with.

For homeowners who want to find comparables, I mentioned in an earlier chapter that they can go the New Westminster's Land Title Office and purchase the information on recent homes that have sold in their neighborhood.

The key mistake many people make in comparing listings is they pick the wrong house and use that as a comparable.

Let's say your home is located in the neighborhood of South Cambie. Don't try to compare homes that have sold in the neighborhood of Cambie or Marpole or South Granville. It's a different neighborhood altogether and so they should not be used as comparables. Compare your house to homes that have sold in the South Cambie neighborhood.

Only on a rare occasion where there are no houses recently sold in South Cambie do you ever compare your house with another neighborhood.

Let's say I am trying to figure out which comparables are suitable for the following house I'm trying to evaluate:

Neighborhood: South Cambie
Lot Size: 50' × 122', 6100 sq ft lot
House Sq Ft: 3500 sq ft
Age: 1965

When comparing, not only do you have to compare houses in the same neighborhood, you have to compare homes that are situated on a similar lot size and homes of approximately 3500 sq ft and of similar age to 1965.

When we talk about recent comparables, recent means a period of time where the market has been essentially the same. So, if it's currently a balanced market in South Cambie, and it's been a balanced market for the past 6 months where prices have remained the same, then 6 months would be considered "recent".

But, if 6 months ago, it was a seller's market in South Cambie and prices have gone up in the past 6 months and now it's a balanced market in South Cambie, "recent" would be different. I would figure out when the market became a balanced market.

Let's say it became a balanced market 60 days ago, and prices have become stable since then. Then 60 days would be considered "recent".

Once I have a list of "recent" comparables, then I would start filtering out from this list using the other factors in this list.

3. Comparing Price Per Sq Ft – If the 1965 home was in original condition and it didn't show very well, it would likely be considered land value. In that case, I would compare what other land value homes have recently sold for in the South Cambie area.

Let's say these are the 3 land value homes I select in the area:

a) Built in 1955, 55 × 130, 7150 sq ft lot, 3000 sq ft house, sold for $2,444,000

b) Built in 1945, 48 × 125, 6000 sq ft lot, 3200 sq ft house, sold for $1,999,000

c) Built in 1935, 50 × 130, 6500 sq ft lot, 3500 sq ft house, sold for $2,100,000

In order to compare them, I would convert them all to price per sq ft for the lot since they are all land value homes.

The house on the 7150 sq ft lot, sold for \$2,444,000, so the price per sq ft lot would be 2,444,000/7150 = **\$341.82/sq ft**

The house on the 6000 sq ft lot that sold for \$1,999,000 would be 1,999,000/6000 = **\$333.17/sq ft**

The house on the 6500 sq ft lot that sold for \$2,100,000 would be 2,100,000/6500 = **\$323.08/sq ft**

Using this information, I can say that land value homes for that lot size range would be around \$323 - \$342/sq ft of land. Then, the 1965 home was a 6100 sq ft lot, so the land value range would be 6100 × 323 = \$1,970,300 to 6100 × 342 = \$2,086,200.

Therefore, I would know that the 1965 home would be worth between \$1,970,000 to \$2,090,000.

What about brand new homes?

For brand new homes, we would still compare lot sizes because a 10,000 sq ft brand new house and a 7000 sq ft brand new house will definitely differ in the way that it is measured.

Also, we would want to compare the build quality as well. But let's assume that we are comparing similar lot sizes and similar build qualities for these 3 homes.

a) 1 year old, 55 × 130, 7150 sq ft lot, 3000 sq ft house, sold for \$3,500,000

b) 2 years old, 48 × 125, 6000 sq ft lot, 3200 sq ft house, sold for \$3,250,000

c) 1 year old, 50 × 130, 6500 sq ft lot, 3500 sq ft house, sold for \$3,350,000

Here, we would calculate the price per house sq ft.

For the 3000 sq ft house that sold for $3,500,000, it would be 3,500,000/3000 = **$1,166.67/sq ft**

For the 3200 sq ft house that sold for $3,250,000, it would be 3,250,000/3200 = **$1,015.63/sq ft**

For the 3500 sq ft house that sold for $3,350,000, it would be 3,350,000/3500 = **$957.14/sq ft**

Using this information now, I could come to the conclusion that a brand new house with a similar lot size would sell for about $957 to $1,166/sq ft. So, if the 1965 house was a brand new house, 6100 sq ft lot, 3500 sq ft, it would be worth between $3,349,500 (3500 × 957) and $4,081,000 (3500 × 1166).

You probably think a $700,000 variance is pretty big and that's true but we haven't finished looking at other factors that I'll discuss below.

3. Market Trends – So you've come up with a few comparables. Now you want to see what the market was like when those comparables sold. Was it a buyer's market, balanced market or a seller's market at that time?

Then you have to compare that with what the market is currently at.

Ideally, your recent comparables are those that have sold in the same market as the current market, but often times they may not have.

Let's say the comparables of your brand new home were sold during a seller's market where the sold price range was $957 - $1,166/sq ft. If it's currently a buyer's market, then you would be looking more towards the conservative end of the range of around $957/sq ft and vice versa if it was a buyer's market back then and now it's a seller's market.

If the market hasn't been stable and has been climbing in the last little while, then I may estimate that the home may be worth above $1166/sq ft. Likewise, if the market has been slowing down for a while, the home may be worth less than $957/sq ft.

It's important to stay on top of market trends in a particular neighborhood. Just because the news talks about Vancouver as a whole as increasing in price doesn't mean a particular neighborhood in Vancouver is increasing.

When the real estate market in Vancouver starts climbing, not every neighborhood in Vancouver climbs at the same pace. Some areas may increase in values faster while other neighborhoods may increase after a little while.

That's why it's important to take the news and media with a grain of salt because they often just generalize the real estate market trend as a whole and it often misleads the public into thinking every neighborhood is reacting the same way when it isn't.

4. Market Season – The other factor I would also consider is the season of the year. The market definitely reacts differently in each season of the year.

I'll briefly describe the 4 seasons here and go into more detail in a later chapter.

Spring has traditionally been the busiest time of the year in real estate. It's when there are the most listings on the market and it's when there are the most buyers shopping for homes as well.

Summer, though not as busy as the Spring is also very busy because of the good Vancouver weather and is often considered the best time to go visit some open houses. Most people are on vacations during this time and so there is more time to focus on buying or selling real estate.

Fall is when students go back to school and has also been an active time of the year as sellers and buyers want to complete some real estate transactions before the rain comes and also before the cold Winter begins.

Winter is traditionally the slowest time of the year. People are often on vacations and the Christmas season is where most people are thinking about Christmas shopping more than home shopping. The cold weather also prevents many people from wanting to go visit open houses.

Because of these differences, there are different buyers and sellers out there in the different seasons and I would definitely take this into consideration when helping buyers and sellers buy or sell a home.

5. Active Listings – It's not enough to just look at the comparables in the neighborhood. You need to see the competition too. Are there other active listings in the market that are competing for the buyers looking in your neighborhood?

If so, how many other active listings are there? What are those active listings priced at? If you find that there's a lot of competition, meaning there are many active listings in the neighborhood, your home may still be positioned well if it's priced better than the others.

If your competition is priced better than you, but yours shows better, then you're still ok.

But if your competition shows better and is priced better, that's when you may need to price your home lower than theirs in order to attract the buyers to your home.

Just because you price your home lower than the others, and maybe pricing it below market value, it doesn't mean it will sell below market value. If you can attract a horde of buyers, then you're likely going to receive multiple offers that may result in you selling your home for higher than expected.

That's why it is almost always beneficial to price your home at or below market value.

If there are no active listings in your neighborhood and your neighborhood is one where active listings come out once every 6 months to a year, then you can perhaps rest assured knowing that when your home is listed on the market, it will be perceived as a rare commodity.

> **GARY's WOW**
> — WORDS OF WISDOM —
> It is almost always beneficial to price your home at or below market value.

For example, homes on Point Grey Road in Vancouver do not show up very often and so when a property is listed on this prestigious street, it is considered a rare gem and the property sells rather quickly, at a premium price and sometimes through multiple offers.

6. View – When I look at the comparables, I compare the lot sizes, the house sizes and the age. But I do not forget to compare the view.

A home in Point Grey facing North with mountain and potentially water views vs a home facing South with no views makes a huge difference when it comes to what the home is worth.

There are even differences among homes located on the same street facing the same direction. Some have a view that's blocked by trees and some have an unobstructed view.

Sometimes a 2 storey home doesn't have a view but a 3 storey home has a view of the mountains from the top floor.

These are all taken into consideration when determining what a home is worth. Obviously, homes with unobstructed views are worth more than homes with partially obstructed views or those without views.

7. Renovations – This is where build quality is compared. Depending on the quality of the renovations made to a home, a home's market value can vary significantly. A brand new 4000 sq ft home, with a typical west coast contemporary design in Dunbar on a medium 50' × 122' lot may sell for $4,000,000.

Whereas the same brand new home, custom built using state of the art automated technology and creatively and artistically designed with European high end appliances, finishing and features can sell for $6,000,000.

The reason why there's this huge difference is because there is simply no comparable for the $6,000,000 home.

When a home is renovated in a way that it stands out among its local comparable homes, it will sell at a premium. If the home is renovated with features to make it one of a kind where there are no other homes like it in Vancouver, it will command a large premium.

But there are only a handful of homes in Vancouver that are unique to the point that it commands a significant premium. Most of the time, there'll likely be a comparable home to assess its market value.

Usually homes that are renovated are done with simple, average renovations. Some use a little higher quality materials or finishing. While specific renovations done to a home can increase the home's market value slightly. The common **MISCONCEPTION** that homeowners have is that **ALL** their renovations add value to their home.

If a homeowner spends $50,000 on say a fence around their home, they feel that it will add to the home's market value. The truth is, certain renovations just do not add value to the home's market value.

Some common upgrades done to a home that increase a home's market value include renovating the kitchen, bathrooms and flooring.

However, when I take my buyers to see homes, I often hear listing agents telling me how much the seller spent on this renovation and that renovation.

I understand that the purpose of this information is to persuade my buyers to pay more than market value, I often feel that the homeowner and maybe the listing agent is thinking that the buyer should pay back what the homeowner spent on the renovations.

This brings me back to my early 20s when I was into sports cars and modifying cars. During that time, I learned that just because a car had $30,000 worth of modifications done to it, it didn't mean that the car would sell for $30,000 more.

Often, people who modify their cars buy used parts and they don't have receipts for all the modifications done. Also, a significant portion of the $30,000 worth of modifications is probably the cost of labor which cannot be added to the price.

Again, after the parts have been used for × number of months or years, buyers need to factor in a certain amount of depreciation.

In real estate, the same applies. A homeowner who spends $25,000 worth of renovations on built in shelving, flooring and taking out parts of a wall cannot just add $25,000 to the price of their home.

First of all, as mentioned earlier, not all renovations add the same kind of value to the home. Bathrooms and kitchen renovations usually add more value than what was spent, so $20,000 spent on bathroom and kitchen may increase a home's value by $30,000.

But it really depends on the end result. If the renovations are tasteful, then the increase will be likely. If the renovation is very awkward and dysfunctional, the home value may not increase very much at all. An example may be a homeowner spending $50,000 on a bathroom and kitchen renovation using exquisite material and finishing but if it affects the floor plan or is just installed poorly, it may only increase the home's value by $30,000, leaving the homeowner $20,000 out of pocket.

Second of all, renovations such as adding shelving or taking out walls can increase a home's interior look and feel but it sometimes isn't a good return on investment (ROI). A great deal of money could have been spent doing it, but it may only increase the home's value by 50% of what was spent.

How about depreciation? How do you factor that in for renovations?

It's very hard to appraise that. Let's say a $200,000 renovation was done to a home to which it increases the home's value by $300,000. That was 3 years ago, do you factor in a 20% depreciation rate per year, 10% or 30%?

It's hard to say. There are no specific guidelines to go by. It's very subjective and it depends on many factors. What's the condition of the renovations after the 3 years? Are the renovations still up to date or have things changed and made those renovations outdated? What is the current market or economy like?

The best thing to do is to contact a REALTOR® who sees a lot of homes on a regular basis and has the experience and eye to be able to tell what the home is worth based on how the home looks and feels in its current state based on current market conditions. Even then, REALTOR®s can only give you a range of what the home is likely worth.

Some buyers may pay market value, above market value or even below market value.

For Condos

When evaluating and appraising how much your condo is worth, all of the factors discussed for houses apply for condos.

The only difference is that there is no land to compare for condos. You are comparing unit sizes through price per sq ft and in condos, it's very easy to find comparables. In your condo building, unless your unit is the penthouse, there are usually several other units that have the same floor plan, view and finishing as yours.

Even renovations can easily be compared. Although some renovations in condos can change the look and feel of the condo, they likely will not provide a significant increase in the home's market value.

I once visited a $500,000 2 bedroom condo downtown where the owner spent over $100,000 on some fancy, exquisite renovations. Without the renovations, a similar condo in the building was worth about $500,000, but this owner was asking $600,000 for their condo, basically expecting the buyer to pay for their renovations.

Obviously, the listing agent HAD NOT received offers for the place as it was overpriced.

So, for finding out what your condo is worth, you take a look at the similar units in the building that have sold recently. If comparable units (same number of bedrooms and bathrooms) sold for $600/sq ft, yours would probably sell for around that figure.

If your home has the same number of bedrooms and bathrooms but is facing a different direction, has a different view and floor plan, there will be small fluctuations in what it's worth.

In addition, if the comparable home sold was one on the 3rd floor and yours is on the 25th floor, there is a price differential per floor.

When you go to a developer's presentation center to buy a presale apartment, there is typically a price differential per floor. Sometimes it's \$3000 or \$5000 or \$10,000. So, same goes when it comes to selling your condo. The same unit on the 25th floor will be worth more than its counterpart on the 3rd floor.

CHAPTER 11

The Truth About The Best Time To Buy And Sell

You've heard it in the media before. It's a seller's market! It's a buyer's market! It's a great time to buy! It's a great time to sell!

Have you ever wondered when EXACTLY is the best time of the year to buy and sell?

Are you like others trying to time the market where you buy low and sell high?

Let me open your eyes to a different perspective from what is often commonly preached out there by the public and other industry professionals.

This perspective will give you freedom and stop you from hustling and bustling, worrying your brains out about timing and missing out and blaming yourself for things you should or shouldn't have done regarding your real estate endeavors.

Are you ready for it?

The best time of the year to buy/sell real estate IS...

Before I give you the secret, let me lead you through some general pros and cons of buying and selling during the different seasons of the year. I say "general" or "typical" because there are exceptions in different markets and in different neighborhoods. Your REALTOR® can give you an in depth, detailed analysis of the current market conditions in certain neighborhoods.

WINTER: In this season, there is typically a lower supply and demand as people are on vacation, REALTOR®s have met their quotas of which many are also on vacation, generally a slower time of the year for real estate.

For Buyers: The sellers that have their houses on the market are often serious sellers. Who else would list their property in generally the slowest time of the year? There are fewer buyers out there, so there's less competition and potentially a good chance to get a good deal on a property.

- Pros: It's the slowest time of the year and there's a good chance of getting a bargain! There's fewer open houses going on and less action going on. Buyers can use this time to negotiate with sellers who may not be getting the traffic on their homes during this season.
- Cons: Since it's the slowest time of the year, there's often less inventory and thus less selection of homes in the market.

For Sellers: There are fewer sellers in the winter. So there are fewer options for buyers to choose from. If you list it now, you're generally not going to be dealing with flaky buyers as serious buyers are the ones who are in the market for a home even in the slowest time of the year.

- Pros: Mostly serious buyers out there at this time. Competition is not as fierce as the other seasons as there are fewer sellers out there, so your home on the market can stand out more.

- Cons: It's the slowest time of the year because many people are on vacation. Vancouver weather is also not that good, so it doesn't help with the open houses. It's typically harder to sell in this season.

SPRING: This is generally the hottest time of the year to buy and sell. The Spring market is usually between March to May, but it sometimes starts as early as late January and continues till June.

For Buyers: Spring is the time when there's the most inventory out in the market. If you're a picky buyer, you'll have the greatest chance of finding the property you're looking for during this time.

- Pros: Generally, the most selection will be available which is perfect if you're picky or love to shop around!
- Cons: Since there is a lot of supply in the market during this time, all the buyers come out and shop too. So, the increase in buyers out there leads to increased competition between buyers. If you've ever lost a bidding war on eBay, you know how it feels.

For Sellers: Just like demand and supply, you want to list your property when there are tonnes of buyers out there, and so traditionally most homeowners list their home on the market during this season.

- Pros: It's the hottest time of the year when most buyers are out there. It's the beginning of good weather and so it makes it easier and more comfortable for buyers to go house hunting through open houses.
- Cons: It's a great time to sell but other sellers are thinking the same way too, so expect a lot of other sellers competing to sell their place as well! If you're trying to

sell your condo and there are 3 other similar units in the building selling at the same time, you may have to undercut the competition by price.

SUMMER: The season with the best weather in Vancouver. Teachers and students are out of school, many people on vacation and it's generally a comfortable time to shop for real estate.

For Buyers: Everything looks better in great weather, including homes. What better time of the year to go to open houses than in the Summer? Many homes from the Spring are still in the market, so there's lots of selection.

- Pros: The great sunny weather makes homes look good, the sunshine makes you feel good and so it's a great time to shop for real estate. Most buyers also take time off work in this season so they have the free time to shop for homes.
- Cons: There's still a lot of inventory on the market. Many buyers are trying to get their kids into certain school catchments so there may be urgency for some buyers to buy quickly and so there will still be some competition.

For Sellers: What's the easiest and cheapest way to make your home look good? Add some sunshine and warm weather. The summer is probably the best time of the year to do open houses.

Some buyers like to buy older homes with the intention to tear down during this time because it gives them time to apply for their building permits and they incorporate the time to construct so the home will be complete in the spring or summer of the following year. Great time for them to move in or some just want to list the brand new home on the market to make some money.

- Pros: Your house looks great in the sun! You'll be able to take great pictures and video of the exterior and interior of the home and the view to be used towards the marketing. It's an excellent time to market your home through open houses as well! There may be a high demand for your home if your home is located in the school catchment of a famous school
- Cons: There are still a lot of sellers out there, so you should make sure your home shows well not simply relying on the sun so that you can effectively compete against the other sellers on the market.

FALL: This is a season where many parents have gotten their children into the schools and are now free to go house shopping. There's still a good amount of inventory out there even though the weather is starting to cool and the rainy season is beginning.

For Buyers: There's a good selection for buyers out there.

- Pros: Some sellers are still trying to move into certain neighborhoods closer to the schools where their kids attend. Also, sellers want to sell their homes before the winter season comes around when it is the slowest time of the year so there's an increased sense of motivation there as well.

- Cons: The cloudy, rainy season is starting to come so homes don't show too well in the rain. Open house activity will start to slow down as well. There's usually not as much inventory on the market as the Spring and Summer. Sometimes the fall season is busy for many homeowners going back to work and getting their kids settled into schools so they may temporarily take their home off the market.

For Sellers: Same as in the summer, some buyers like to buy older homes to tear down during this time, incorporate the permit application time and construction time, build a brand new home and move into it or list it on the market in the Spring or Summer of the following year.

- Pros: Many buyers have come back from vacation and are back to their real estate search. Recruiting season is often in the Fall and so many people start new jobs and have the steady income to obtain a mortgage and so they start their house search.
- Cons: Some buyers are busy with getting their children settled at their schools so don't have that much time. The rainy Fall season coupled with the cooler weather in Vancouver may deter some open house shoppers.

The Bottom Line: Ok, so now that I've given you a general synopsis on the pros and cons of the different seasons, I'm going to tell you the **BIG SECRET** to the best time to buy or sell real estate in Vancouver. This is what I tell ALL my clients.

Don't listen to the media or your friends or your family about the market going up or the market going down, the interest rates going up or they're going down or whether it's a seller's market or a buyer's market.

Everyone will have slightly different opinions about the perfect timing.

This is what I say, "The best time to buy or sell is… when… you… are… ready… to… buy… or… sell."

Is it that simple?

> **GARY's WOW**
> — WORDS OF WISDOM —
> The best time to buy or sell is when you are ready to buy or sell.

BUY OR SELL WHEN YOU ARE READY TO BUY OR SELL. So simple, right?

Some of what I wrote above were generalizations and there's always good deals at all times of the year and it's always a good time to buy or sell.

For Sellers: Sometimes you think it's a bad time to sell because comparable properties are selling at a lower price, but if you have a good reason to sell, don't put it off. Your loss is not necessarily the money you lose on the sale, but the opportunity cost (the value of what you gave up because you sell it).

For example: You want to sell in order to move into your dream neighborhood. You delay because you can't get the price you want.

But don't forget, by the time you get the price you want, you may have wasted a lot of precious time (something you can't get back) and when you want to buy in that dream neighborhood, prices over there will likely have risen over time too, so you got more for your home, but you'll have to pay more for the home you'll end up buying.

For Buyers: Buyers often say a property is expensive compared to how much homes were going for years ago, but don't forget, homes will in the long run continue to increase. Inflation, economical factors, etc, are all a part of that.

You might think you're paying "too much" for a property now, but if you think in the long run, and look back, the "premium" that you think you paid may not be so much of a premium by then.

For example: 20 yrs ago, $1/L of gas may have been super expensive, but now, $1/L of gas is a bargain. Again, think of opportunity cost. Time is something that you can't get back.

There's no point in buying or selling and having the herd mentality. If you buy when you're not ready to buy, or because you felt forced to buy by friends, family or industry professionals, you're just going to end up with buyer's remorse – regretting your purchase and feeling bad about it.

If you sell when you're not ready to sell, you'll go through seller's remorse. If you list your home on the market and just back out because you're not ready, you're going to be causing confusion to those around you.

Your family will be confused because they were probably expecting to sell the home and move on to the next chapter.

Your REALTOR® will have gone through a lot of trouble trying to market the property but would be confused when you decide you're not going to sell anymore.

Worse is if you do go through in selling your home but live in regret, your REALTOR®'s not going to be happy because he/she is interested in having a happy client, not a regretful one.

I have a friend whose parents home was door knocked by a REALTOR® who said that they knew someone who wanted to buy their home. The home was supposed to be an exclusive listing but it ended up on MLS and sold after 1 day.

The price they sold it for was ok, but if they kept it on the market for a little longer, it would have generated multiple offers and it would have sold for a little higher in my opinion.

So my friend's parents had a few short months to buy a home to move into. They worked with a few different REALTOR®s, including me and as I showed them a few homes, I was able to analyze what type of home they didn't like and the type of home that they would like.

We weren't in a huge rush as there was still a couple months. However, they visited a home without telling me and the listing agent there whom they had just met for the 1st time showed them another home and they ended up writing a subject free offer and the deal was firm.

I was surprised because from what I knew of my clients, they weren't the type to aggressively make subject free offers without a home inspection and such. I felt that maybe the other REALTOR® had pressured them into buying but that's just a speculation.

My friend said that her parents felt that there might not have been time to keep searching for a home so they settled for the one the REALTOR® showed them. I don't think the REALTOR® spent enough time with my friend's parents to be able to know what they really needed.

Anyway, the point is that they regretted buying the property. It was a good property and they paid market value for it and the property has appreciated in value significantly since then but at the end of the day, if it were me, I wouldn't sell my clients into anything they weren't 100% in love with.

Accurate self feedback in my opinion is based on how happy my clients are with the real estate transaction I help them with.

CHAPTER 12

How To Quickly and Easily Interpret Real Estate Statistics Like A Pro

Are you confused when you hear about real estate statistics?

The average price is what?

The median price is this.

The Home Price Index (HPI) is that?

Tired of hearing different data from different sources and they don't even explain how that data applies?

Sales to Active Listings Ratio for this city and absorption rate for that neighborhood?

It drives you crazy, doesn't it?

I'll be honest. It drives us REALTOR®s crazy too. So much data out there, so many formulas but what about a simple and easy way to interpret relevant real estate statistics. Unless you're a statistician, you don't need a hundred different formulas and a hundred different ways to analyze variance, standard deviation, etc…

Who cares about what the covariance of this data is?

Do you really need to do a T variance test on real estate statistics?

Is that R squared regression analysis really necessary?

No one wants to know what the 95% confidence interval is.

I don't know about you. But it's so confusing, hearing percent changes here and long term change of this and this ratio and that ratio and… you get the point. I like calculations and numbers but sometimes, there's a lot of fluff in there that doesn't really apply to most people.

In this industry, it's common to get bombarded with real estate statistics from all different kinds of mediums. Let me break it down into simple (and the key word is simple), relevant, easy to understand statistics that even my grandma can understand.

Below I'll lay out a few of the common terms that are used in the industry and I'll briefly explain them and explain how it may be useful information to you ***AND*** how it may be useless information to you.

Let's start with the following basic terms:

Seller's Market – This is when there are more buyers than sellers, when there is more demand than supply. Let's say there are 100 buyers out there but only 1 home on the market, then the sellers have the power and the option to choose who they want to sell to.

Balanced Market – This is when there is a balance between the number of buyers and sellers, where the demand is being met by the supply and the supply is being met by the demand. In this market, neither the buyer nor the seller has any upper hand.

Buyer's Market – This is when there are more sellers than buyers, when there is more supply than demand. Let's say there is only 1 buyer, but there are 100 homes for the buyer to choose from. The buyer has a lot of choice and has the power to choose which home to buy.

Absorption Rate – To put it simply, this is the rate at which homes sell in a particular market. It's measured in "months supply". I explain this concept in 2 minutes to my clients. This is how I explain it.

Let's say in January, there were 50 houses for sale in the Dunbar area and 10 sold in that month. How many months would it take to sell the entire inventory in Dunbar? 50 homes/10 sold in a month = 5 months.

For those who like formulas, this is the formula:

Absorption Rate (for January) = # of Homes on the Market (in January)/Homes that sold (in January)

At the rate of 10 homes sold per month, it would take 5 months to clear the inventory of 50 homes in Dunbar.

So, what does that mean to you? Analysts say that 0 to 4.9 months is a seller's market, 5 to 7.9 months is a balanced market and 8+ months is a buyer's market.

Absorption Rate (months supply)	Type of Market
0 – 4.9	Seller's Market
5 – 7.9	Balanced Market
8+	Buyer's Market

Therefore in the above example, it would be a balanced market (5 month supply).

If you want to know how a specific neighborhood market is doing, look at the previous month's statistics, compute the absorption ratio and you can find out whether it's a seller's, balanced, or buyer's market.

Do note that you have to take a bird's eye view when reading the numbers.

For example, if there were only 2 houses for sale in the Dunbar area last month, and 1 house sold last month, the absorption ratio (2 houses/1 sold in a month = 2 months) would be 2 months which according to the formula is a seller's market, but because the data we are drawing from is so limited, it's not accurate to say that it's a seller's market.

The pool of data we are drawing from is just 2 houses.

But if the 2 months supply comes from a pool of 100 houses for sale, and 50 houses sell that month, then that 2 months supply number is much more accurate.

Sales to Active Listings Ratio – This ratio takes the number of sales and compares that to the number of active listings (homes on the market) at a particular time, in a particular neighborhood.

I specify particular time and a particular neighborhood because the market constantly fluctuates. With all these ratios and numbers, to make it relevant to most buyers and sellers, there are 3 things you need to be aware of.

- The product type you are analyzing. Are you looking at houses, townhouses or apartments?
- The time period you are analyzing. If you're buying a home now, you want to know recent statistics, as recent as possible.
- The neighborhood you are analyzing. If you're selling a home in UBC, statistics referring to homes in Coquitlam do not help you in any way.

The sales to active listings ratio is measured by a percentage. This is how to calculate it. You take the number of homes sold divided by the number of active listings.

Sales to Active Listings Ratio (for January) = # of Homes Sold (in January)/# of Homes on the Market (in January)

Let's use the same example above. We are looking at houses in the Dunbar area in January. There were 50 houses on the market in Dunbar, and 10 houses sold in January. It would be 10 houses that sold/50 houses on the market = 0.20 or 20%

So, what does that mean to you again? Analysts say that 20+% is a seller's market, 14 to 19.9% is a balanced market and 0 to 13.9% is a buyer's market.

Sales to Active Listings Ratio (%)	**Market State**
20+	Seller's Market
14 – 19.9	Balanced Market
0 – 13.9	Buyer's Market

Now you are familiar with the absorption rate and the sales to active listings ratio, you are more educated than most of the public out there. These 2 formulas, very similar in nature can help you navigate through most of the numbers thrown out there.

Now I'm going to share a few more numbers that you will typically hear in the news and media and you can decide whether they are useful to you or not.

Average Home Price vs Median Home Price vs Home Price Index – These three numbers often get thrown around and often misinterpreted so I'd like to provide some insight on these.

1. Average Home Price – This basically takes the prices of all the homes that have sold in a period and divides it by the number of homes that sold in the same period. Let's say there were 5 homes that sold in the Dunbar area in January. The numbers were as follows:

- $2,000,000
- $3,000,000
- $3,000,000
- $4,000,000
- $4,000,000

The average would be 16 (sum of the 5 numbers (2 + 3 + 3 + 4 + 4 = 16)) divided by 5 (number of homes that sold). 16/5 = 3.2 or $3,200,000 in this example.

So, one can conclude that the average home that sold in Dunbar in January is $3,200,000. How is this useful to the general public?

IT ISN'T!

People can easily misinterpret this number and think a typical home in Dunbar costs $3,200,000.

What if one of the homes that sold in January was an outlier or a number that doesn't really represent the norm? Let's say a super extravagant giant mansion sold in Dunbar that month for $6,000,000?

Immediately the average would be skewed upwards. So, the numbers could have been the following with the 1st house being a $6,000,000 home instead of a $2,000,000 home:

- **$6,000,000**
- $3,000,000
- $3,000,000
- $4,000,000
- $4,000,000

Then the average house price in Dunbar would be $4,000,000 (20/5). The average would also be skewed downwards if all 5 homes that sold were $2,000,000 leaving an average home price of $2,000,000.

To the general public, this information doesn't help because the numbers are so random and it doesn't help the buyer or seller in determining how the market is doing. A high average could just mean that a pricier home sold during the month or a low average could mean the opposite.

I don't know why some people still use the average home price number as it is clearly inaccurate and irrelevant to the typical buyer or seller.

2. Median Home Price – The median is just the middle number in a list of numbers. If we have 5 numbers: 1, 3, 4, 7 and 8, the median is 4 as it is the number in the middle. If there are 6 numbers: 1, 3, 4, 5, 6 and 7, we take the middle between the 3rd and 4th number, 4 and 5, so the median would be 4.5.

Likewise, if 5 homes sold in the month for $1,200,000, $2,500,000, $3,000,000, $3,500,000 and $4,000,000, the median home price would be $3,000,000 as it is the median. If there were 6 homes sold in the month for $1,200,000, $2,500,000, $3,000,000, $3,500,000, $4,000,000 and $6,000,000, the median would be $3,250,000 (difference between $3,000,000 and $3,500,000).

How is this useful to the typical buyer and seller?

IT'S NOT!

This number is again often misinterpreted to be what a typical home would sell in that neighborhood.

Even if the market goes up or goes down, looking at solely the median price can be very deceiving. Let me show you.

	Case #1	Case #2
Homes Sold in January	$2,900,000	$2,900,000
	$2,950,000	$2,950,000
	$2,999,000	$2,999,000
	$3,000,000	$3,000,000
	$3,050,000	$9,000,000
	$3,075,000	$9,500,000
	$3,075,000	$10,000,000
Median Price	**$3,000,000**	**$3,000,000**

As you can see, Case #1 and Case #2 represents two different types of markets, yet the median price (the middle #) is the same for both cases.

A $3,000,000 home in Case #1 may indicate the cost of a typical home in that market. But a $3,000,000 home in Case #2 may indicate a foreclosure, a home that's unlivable or an entry level home or similar.

I don't look at the median home price of a neighborhood either because it doesn't give me a clear picture to serve my clients (buyers and sellers).

3. Home Price Index (HPI) – This number is modelled on the Consumer Price Index (CPI) which measures the rate of price change for a number of common goods and services such as food, clothing, shelter and transportation.

The HPI offers a benchmark for those who want to track price trends. It measures the rate at which housing prices change over time and its benchmark represents the change in price of a typical property within each market. It factors in common lot sizes, square footage, age of homes, number of bedrooms, etc…

This number is much more accurate in determining how prices of typical homes are trending in a particular neighborhood at a particular point in time.

You can find more information here: www.rebgv.org/home-price-index

Sale to List Price Ratio – This is a ratio that compares what a property sold for and compares it with the price it was last listed for. It is measured as a percentage.

The formula for this is:

Sales to List Price Ratio = Sold Price of a Home/List Price

For example: A house listed for $1,000,000 and it sells for $950,000, it would be $950,000/$1,000,000 = 0.95 or 95%

Looking at these numbers can help buyers and sellers get a sense on how to negotiate on pricing.

If most of the homes are selling at a sale to list price ratio of 95–98%, then buyers know that if the home is priced well, they are not likely going to be able to buy the home at 10% below list price. Sellers on the same hand who have priced their home well can be confident that their home will sell within 5% of the asking price.

If it's a hot market, then it's not uncommon to see sale to list price ratios at over 100% as bidding wars often result in homes selling for more than the list price.

Average Days on Market (ADOM) – This is the average number of days it takes for homes to sell in a particular month in a particular neighborhood.

If a home is listed on January 1st and it sells on January 30th, then the "Days on Market" (DOM) value is 30 days.

Let's say the ADOM in January for houses in South Granville is 60 days. That means that they took the number of homes that sold in January in South Granville, found out how many days the houses were listed on the MLS before it sold, and then took the averages.

For example: There were 5 homes that sold in South Granville in January. They sold after the following number of days, 30, 60, 90, 40 and 50. The average is 54 and so the ADOM would be 54 days.

This figure gives an idea to buyers and sellers how active the market is in a particular area. Usually it can take up to 3 months for a well priced home to sell in a normal market, so if the ADOM in a particular neighborhood is around 30 days, then it's likely a sign that it's a hot market in that area.

However, this number can easily be misleading too.

Let's say I list Bob's home on a 3 month or 90 day listing contract starting January 1st and ending March 31st. The days on market counter starts at January 1st. Bob and I can decide to extend the listing before the listing March 31st and that would extend the counter.

March 31st comes along and Bob and I decide to let the contract expire and relist it again on April 1st for another 90 days until June 30th.

In this case, the counter restarts on April 1st. So if the home sells on April 3rd, the DOM value may be 2 as in it was listed on the market on April 1st and sold on the 3rd, but Bob and I know that the home had been listed since January 1st.

Therefore, in the statistics, the DOM says 2 but it was actually on the market from January 1st till April 3rd.

Variance between months and years – This is very common in the media as they often talk about the ratios and formulas above and the number of active listings and the number of homes that sold compared to the previous months or the previous years.

You can easily look at the historical monthly real estate statistics here: www.rebgv.org/monthly-reports

If you record the monthly statistics on an Excel spreadsheet, you can look back at how many active listings there were at the end of every month and how many homes sold in different categories (houses, townhouses and condos).

Below I'll give you some historical statistics for MLS single detached homes that were listed and sold in the West Side Market.

WEST SIDE MLS DETACHED LISTINGS 2006–2015

	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
JAN	370	344	374	694	380	402	796	771	748
FEB	359	375	430	708	430	463	777	890	779
MAR	404	384	514	677	521	525	854	892	813
APR	412	469	690	653	669	590	949	943	887
MAY	452	448	862	591	794	599	1,067	938	884
JUN	477	499	982	586	797	603	1,078	923	875
JUL	502	466	996	551	720	632	1038	907	871
AUG	530	422	915	497	681	643	995	872	838
SEP	622	504	1053	570	675	823	1044	918	828
OCT	621	422	1014	527	575	827	960	830	768
NOV	507	394	949	451	450	705	846	730	664
DEC	385	291	756	325	331	558	697	612	545

WEST SIDE MLS DETACHED SALES 2006–2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014
JAN	77	90	75	46	102	134	86	83	117
FEB	159	133	138	100	130	242	177	104	172
MAR	176	170	136	144	208	279	152	151	147
APR	158	162	121	193	193	214	130	144	158
MAY	201	246	142	232	150	228	122	187	203
JUN	181	177	105	200	147	213	102	145	175
JUL	122	170	88	180	122	139	83	130	143
AUG	119	158	46	202	134	130	75	133	126
SEP	106	112	46	175	143	104	86	154	171
OCT	140	156	52	200	161	120	104	179	155
NOV	121	115	25	141	161	121	77	140	117
DEC	65	56	56	133	116	62	49	111	99
TOTALS	1625	1745	1030	1946	1767	1986	1243	1661	1783

So, what can you do with these statistics? How does it help you if you were a buyer or seller?

Well, one thing you can do is calculate the absorption rate for each month. For example, December 2014, there were 545 listings and 99 sold, so the absorption rate is 545/99 = 5.5 months supply or a balanced market.

You can do that with all the other months and you can see if there are patterns.

You can also notice that there are generally fewer listings in the Winter season and more listings in the Spring time which coincides with what I talked about in an earlier chapter about the best time to buy and sell.

Again, you can look at how busy a particular month was compared to the same month in previous years. In September 2014, there were 171 sales, which is the most number of sales since September 2009.

A Key Caveat

Sometimes it's easy to get overwhelmed by the number of statistics that gets thrown around on the news and by industry professionals.

To be honest, a lot of the statistics aren't very relevant to the typical buyer and seller. The most important statistics a seller needs to know is what is relevant to your specific property type (house, townhouse or apartment) and the specific neighborhood your home is.

When I hear statistics about the overall Vancouver market, as a seller, it doesn't tell me what is going on in my specific neighborhood and for my specific property type.

The same goes with buyers. The key is to find out what is going on for the neighborhood you want to buy in. It may be a seller's market in all of Richmond, but a buyer's market in a particular neighborhood in Richmond, so it's important to filter out the fluff and focus on what is relevant to you.

CHAPTER 13

This Easy 5 Step Process Will Make You Master The Market In Any Neighborhood

Now you have a pretty good understanding of how to interpret market statistics. We also discussed about the different seasons of the year and the real estate trends that exists.

But you're probably asking, "Where do I start?"
"How do I start?"

Let me give you the 5 step process so you too can easily learn and master the market in any neighborhood.

Step 1 – Download Market Stats: As I mentioned in an earlier chapter, you can download the monthly MLS statistics on the Real Estate Board of Greater Vancouver (REBGV) website. Just go to www.rebgv.org/monthly-reports and you can download the monthly reports that show the statistics for all the different municipalities in Greater Vancouver.

You may notice that when you download the REBGV monthly statistics, it's missing detailed neighborhood specific data.

There are a few companies out there that provide detailed market statistics, one is Snap Stats at www.snap-stats.com but there is a monthly subscription fee to get market statistics from them. REALTOR®s have access to another website that provides in depth market statistics as well but for the public, Snap Stats is one option.

You can also visit my website at www.garywongrealty.com/market-stats/ for comprehensive, detailed statistics that are all broken down, calculated and interpreted for you.

Step 2 – Analyze the Trends and Numbers: With the monthly market statistics, you can calculate the Absorption Rate, Sales to Active Listings Ratio, and it'll display the Home Price Index (HPI) and other statistics.

If you are studying the market statistics because you're looking to buy, calculate the absorption rates for the specific neighborhood you're looking to buy in and for the property type (houses, townhouses, condos) you're looking at.

If you're looking to sell, the same applies. Calculate the absorption rate for the neighborhood your home is located and for the property type your home is.

Don't forget what you learned in the previous chapter about how the real estate market differs in the Spring, Summer, Fall and Winter. Taking the current season into account, compare the absorption rate to the current season.

If you find that it's a seller's market in the Winter, then it's probably a good indication that the Spring market will be pretty active. Or if you find that it's a slower market in the Spring, it might indicate that the market may be even slower in the Summer.

Step 3 – Do Your Due Diligence at City Hall: Go to the City Hall website of the municipality. If you're selling, find out on the city hall website what is going on around the home that you're selling. Are there any rezoning plans or community development going on?

If you're buying, find out on the city hall website what is going around the home that you're going to buy? Is there approved developments going on there? Typically you can view if there have been some approved building permits for large commercial establishments so you know if there'll be a new Walmart or shopping mall being built in the area.

If you notice that there are going to be a lot of residential towers development being built in the area, then you know that there is a push going on for more affordable housing in the area. The land that's being developed by developers will likely have latent value.

Latent value is land that has a high likelihood for redevelopment because it is currently not being utilized to its highest and best use.

A common example may be a row of small mom and pop shops on a large arterial street where the land value has gone up significantly. The population has also grown much and there is a need to provide more housing in that area. Developers will likely try to purchase the land from the mom and pop owners at inflated prices.

> **GARY's WOW**
> — WORDS OF WISDOM —
>
> For Real Estate Investing, land that has latent value is the land you want to buy.

Ideally, developers will be able to forecast this need years in advance so they don't buy it when the land has already significantly increased in value. They want to purchase the land when it is at a discount not when it is at a premium.

While on the city hall website, look at whether there are going to be plans to implement more efficient transportation infrastructures in certain areas. The city is likely doing that because they forecast that there will be an increased population in that area which will need to be serviced by a better public transportation.

As a buyer, wouldn't you want to know that wherever you buy, there is going to be a likelihood that the property will go up in value because of the community developmental changes that will take place in the near future?

Areas such as Metrotown, Brentwood and Oakridge Mall are going through large community development changes and it doesn't take a rocket scientist to deduce that the reason why several residential towers are going up in those retail shopping hubs is because of the increased population that's going to take place there.

With this knowledge in hand, you can then come to the conclusion that if you buy a condo around there, there won't be much difficulty in finding tenants there.

Likewise, with more condos being built, the supply of condos will definitely be a lot more than the supply of single detached family houses. Therefore, buying houses will enable you to own a rare asset in a future that is heading towards a predominantly condo market.

If you study these changes on the city hall website, you are likely going to be ahead of the game than most buyers and sellers out there.

Step 4 – Study the Comparables: If you are not working with a REALTOR®, then you're not going to have an easy way of accessing a lot of resources. To master the market, you're going to need to know what is selling and how much they are selling for. If you don't have a REALTOR® assisting you, you'll to have to do a lot of the research yourself.

I mentioned in an earlier chapter on how you can proceed if you want to find out the comparables on your own. If you're looking to sell, go to the Land Title Office and find listings that sold that are comparable to the home you're trying to sell.

Having a REALTOR® helping you here is where he/she can send you comparables, both sold and active listings with a few clicks of the mouse and can save you hours of your time.

If you're a buyer, you're going to want to find out whether the homes you want to buy are priced well. Once again, go to the Land Title Office and find comparables to the home you want to buy and see how much they sold for.

Once again, this can be done in a few clicks with the help of a REALTOR® but you can always rest assured that there is a way to get the information by yourself.

Step 5 – Get Out There and Look at Homes: By now, you have access to comparables, you know what's selling and for how much. You know what's going on in the community in regards to developmental changes.

You have accessed the monthly statistics and you've calculated the absorption rates of the areas you want to master.

You have the knowledge and now it's time for you to go out and see some homes.

As a buyer, looking at data is nice, and pictures on the internet are helpful but you ***HAVE*** to see homes in person to really understand why homes sell for a certain price. Drive around the neighborhood you want to buy. Walk around the streets. See how convenient or maybe how inconvenient certain areas are.

Look at the views from different condo units. By walking and experiencing different condo floor plans, you'll understand how some floor plans are extremely functional and some just make you face palm yourself.

When I work with builders and investors who are looking to buy, tear down and develop, they always drive by the home, walk on the street, listen to the noise and assess what amenities are nearby.

Are schools nearby?

Is the home close to community centers or parks?

Is there a lot of traffic noise outside?

Builders and investors care about whether the home can be easily sold if they buy a house, tear down and build a brand new home. The factors above affect how marketable a brand new home will be in the area.

As a seller, walk around the homes that your listing is compared to. Does yours have a better view? How is your home's layout compared to theirs? How do your competitors' renovations look in person compared to yours? Pictures can often exaggerate how high quality or how low quality particular renovations can be.

Again, it's nice to work with a REALTOR® familiar with the area as they can help schedule tours for you and see a bunch of homes together and give you feedback or you can call the listing agents yourself and make appointments to go see their listings.

There you have it – 5 simple and easy steps to master the market in any neighborhood.

CHAPTER 14

Couldn't Sell The 1st Time? 5 Simple Tips To Ensure A Quick Sale The 2nd Time Around

So you tried to sell your home by yourself and it didn't sell.

OR

You hired a REALTOR® and had it listed on the MLS and it didn't sell.

You're disappointed.

You thought that it was a great time to sell and you were already thinking of the place you wanted to buy, the neighborhood you wanted to move in and the next chapter in your life.

How could it happen? I thought it was a great time to sell.
Maybe bad timing? Maybe it was the market? Was it the Price?

It could be 1 or 2 reasons or it could be a combination of a few of them. You feel like listing it again would just lead to further disappointment but let me tell you that with a few tweaks, you're going to be selling your home ***FASTER*** the 2nd time around than you ever thought possible!

We'll talk about your home's Pricing Strategy, the number and type of Open Houses to do, how to write a captivating description, how to make your home stand out online, who your audience is and how to capture them and finally, when the audience has been drawn to see the home in person, how to make a ***Full Blown, Stellar, First and Lasting Impression!***

In this chapter, I'm going to lay out 5 Proven Tips, if implemented, will ensure a quick sale the next time you list it on the market.

Tip #1: Pricing Strategy

Most often when homes don't sell, it's typically due to the price.

Does that mean you have to cut your price drastically?

Not necessarily.

Consult with your REALTOR® to determine if your home is priced too high compared to comparable RECENT sales in the neighborhood.

I'm going to discuss 3 different pricing strategies and the pros and cons of implementing each of them when relisting your home.

1. PRICING THE HOME ABOVE MARKET VALUE

Many homeowners price their homes higher than what it's worth. They do it because they have added their emotions into the home and so they think their home is worth more than it actually is. However, depending on how high above market value you price it, it's not necessarily a bad thing.

It's ok to price your home a little higher if you do a great job marketing your home as I'll discuss in the next few sections.

However, if you don't have an impressive marketing plan, then you may have to settle for less than ideal exposure which may lead to a lower sale price.

PROS: You may come across buyers who don't have a REALTOR® and are unaware of market conditions and what your home is worth. These buyers are not that common but they do exist (especially foreign buyers) and they sometimes buy homes priced above market value.

Some of these buyers are just looking for a deal. They'll buy any home as long as they get a 20 – 30% discount, so if you price your home high enough, you may be able to give these buyers a big discount and still end up selling your home for above market value.

I've seen this case first hand, when watching some new listings come out and they are priced **WAY ABOVE** market value. Like one home was worth around $4,500,000 and it was priced at $5,900,000 but a little while later, I checked and it sold for $4,900,000.

The buyer probably thought they were getting an incredible deal, getting $1,000,000 off the list price, but the seller is probably the one laughing as they were able to sell their home $400,000 above market value.

However, some homes are priced above market value for a reason.

If your home is very unique in its location or its features, and there aren't any homes in the neighborhood that are quite like yours and based on the scarcity and unique value proposition it brings, you can definitely price your home at a premium.

CONS: The first thing most home buyers filter when they look for a home is the price. If your home is above that range, it'll simply be left out of their searches and won't garner even a first look.

Also, when homes are priced higher, you get less exposure, less action and your home will sit on the market for a longer period of time. This looks bad to buyers who may wonder what's wrong with your house.

Actually there's nothing wrong. But buyers have some perception that since it's been on the market for a long time, there's something wrong.

A newly listed home gets the most hype when it is first listed, so if you miss the first batch of REALTOR®s and buyers. It'll be hard to reach them again even if you reduce your price later on.

2. PRICING THE HOME BELOW MARKET VALUE

If you're looking to stir up some hype for your home quickly, pricing your home below market value will generate some action early on. Some buyers like to price their home below market value hoping to stir up a bidding war and get their home sold for a higher price than they anticipated.

For example, their home is worth $750,000, they want $800,000 for it, so they price their home at $700,000. They hope that a bidding war would occur and that their home would sell to a high bidder bidding $800,000.

PROS: If you price your home below market value, get ready for lots of showing requests. You'll have a very busy open house, creating a Boxing Day style environment for buyers. This will often lead to offers coming in, leading to a bidding war.

Because of the psychology of a bidding war, it forces buyers to put their best foot forward and you can be assured that you are not going to get low ball offers.

In fact, many offers will be even higher than your asking price.

CONS: It really depends on how low you price your home. In the above example, your home is worth $750,000, you price it at $700,000, expecting it to sell at $800,000. Let's say you price it at $650,000 and you generate a storm of buyers but the highest offer you receive is $700,000?

You decline the offer because you realize you've priced your home too low. You decide to price it at $700,000. But, the fact that the home has been listed at $650,000 before, this number is already on the history of your home and REALTOR®s will see that your home was listed at $650,000 before but it didn't sell.

Now, buyers may wonder why it didn't sell and use the $650,000 pricing as a base when negotiating.

What if instead of pricing it at $650,000 that time, you priced it at $700,000. You generated multiple offers but the best offer you got was $725,000. That's still below the $800,000 you were expecting and it would again show up on the listing's history.

3. PRICING THE HOME *AT* MARKET VALUE

So we talked about pricing Above and Below market value. How about pricing the home at market value or slightly below that?

This is probably the most recommended pricing strategy but the one that homeowners least implement (at least in the beginning).

Pricing your home at market value means finding similar homes that recently sold in your neighborhood and then pricing your home accordingly.

Having it priced a little below market value will often signal to buyers that this is a listing that won't last long.

PROS: This is generally the fastest way to sell your home. Pricing it this way attracts Real Estate Agents with serious buyers who are ready to buy now. You have the confidence knowing your home is priced right and you know you'll spend less time negotiating with serious buyers.

Generally, when homes are priced at market value, the actual selling price is within 5% of the list price.

When your home is priced like this, you should be receiving showing requests every week.

At market value, your home will draw a lot of buyers, but at slightly below market value, you'll draw a *MAJORITY* of the buyers.

What's the difference between Below Market Value and Slightly Below Market Value?

It is case specific so I would recommend talking with your REALTOR®. For example, if your home is worth $750,000, pricing it at $700,000 is below market value, but pricing it at $740,000 or $745,000 is slightly below market value in my opinion.

CONS: There aren't many cons to pricing your property at or slightly below market value. However, if your home is in a neighborhood that's booming and there aren't many comparable properties, you might want to price your home a little bit higher than market value because of the market conditions.

But, there's no harm pricing your home at or slightly below market value even in a booming market. In fact, doing that may generate a bidding war and your home could sell for a lot more than asking price.

Tip #2: Open House Strategy

You've seen open houses everywhere.

You've probably had open houses done at your home.

You're thinking,

"What kind of strategy could there be? Just put an Open House sign and let the public come check it out."

Is there an art or a strategy to it?

First of all, there are 2 types of Open Houses.

AGENT OPEN HOUSES:

These are open houses held specifically for other REALTOR®s. The date is typically a few days after the home is listed on the MLS. The REALTOR® would indicate the date on the REALTOR® Remarks portion of the MLS description, an area that the public does not see.

REALTOR®s would take note and would be encouraged to get a sneak peak of the property, sometimes bringing their clients with them if it's something their buyers may be interested in.

PUBLIC OPEN HOUSES:

These are the open houses the public is familiar with. They're held usually on Saturdays and Sundays for 2 hours. The REALTOR® puts up signs near the home, trying to drive traffic to the home. Then, they usually hand out feature sheets, request guests to sign in (so that they can follow up with them later) and try to pitch the property's main selling features to incoming guests.

So what's the strategy?

Have you ever noticed that when you go to a Grand Opening for a brand new development by a reputable developer, they always make it Grand? Have you ever wondered why?

They want to attract the masses?

In the Agent Opens, you're looking to attract REALTOR®s. What do developers ***ALWAYS*** do to attract the Real Estate Agents?

Food.

Snacks and refreshments are the best attraction for REALTOR®s. Who doesn't love free food and drink?

I've been to Agent Opens advertised as catered and those without. The ones that have been catered have definitely attracted a larger number of REALTOR®s.

What's the purpose of getting more REALTOR®s to my home?

Many REALTOR®s don't attend these Agent Opens because they're busy or they're lazy. You're trying to have your home stand out and have these REALTOR®s pay attention to your home. When you attract these REALTOR®s to your home, they will automatically and unconsciously think of whether they have a buyer that would like the home.

Another trick that developers always use to attract REALTOR®s is to have a prize draw. You can take down contact information of REALTOR®s that visit and have a draw at the end of the day. Depending on the type of gift, this is a very attractive magnet for REALTOR®s to attend the Agent Open.

STRATEGY #2: NOTIFYING THE NEIGHBORS

A good strategy for you or your REALTOR® to use before the first public open house is to knock on the doors around your home a few days or a week prior. Notify your neighbors that it'll be catered with refreshments and snacks.

Although, not as common, you can also choose to do prize draws at the first public open house as well to attract a larger crowd.

Instead of door knocking, you can always drop off some open house postcards or flyers in your neighborhood. If you're looking for greater exposure, doing a mail out using the post office is an option as well.

This is effective because neighbors are often curious to see what their neighbors homes look like. Neighbors often know people who may be interested in moving to the same neighborhood and so having them visit the open house is like having other sales people advocate for your home.

STRATEGY #3: ONLINE NOTIFICATION

For Agent Opens and Public Open Houses, other ways to bring exposure is by advertising on Craigslist, posting online updates on your blog, Facebook, Twitter and other Social Media accounts.

The key is to bring as much attention as possible to your first Agents Open and Public Open House.

If you utilize the three strategies above, you'll likely get a lot more action on selling your home. More targeted exposure translates to more action including interest, showings and offers.

This equals a much greater chance for your home to be sold!

Tip #3: Copywriting

The art of copywriting is the ability to write ads for marketing in a way that attracts people.

I can't tell you the number of times I've seen homes listed on the MLS with little to no description about the home.

It's like advertising a car with the description:

"Nice car, buy me"

Who in the world would be attracted by that?

When you go to a car dealership, they have brochures that contain comprehensive write ups of the features and benefits of the car.

When you watch a movie trailer, they choose specific words to display on the screen to captivate the audience.

When you go to the bookstore, they have a thought provoking, powerful title and synopsis at the back to mesmerize the consumer.

Don't underestimate the importance of the write up when you advertise your home on the MLS. The same goes with anything written about your home through flyers or postcards or any marketing piece.

There are many keys and strategies in Copywriting. Below are 2 strategies:

STIR UP EMOTION/FEELINGS

If you've ever watched award winning commercials, you'll notice that all of them stir up some sort of emotion or feeling.

The reason why is because professional marketers know that purchases (especially large purchases) often originate from an emotion.

If you can connect with a buyer emotionally, you've already brought him/her 1 HUGE step closer to making that purchase.

So, how does this work in Real Estate?

Compare the following write up that simply lists out the specifications of your home:

> *Beautiful 5 bedroom, 4 bathroom home in an upscale neighborhood, has a recently renovated kitchen, new roof and plenty of recent upgrades. Features include a/c, radiant heating, media room, large patio deck, wine cellar and indoor swimming pool. Call now!*

Notice that it doesn't create a sense of urgency or provide a potential buyer with any sort of emotional grab. Now, read the following:

> *Be the envy of your friends with an impressive home with all the bells and whistles. You are welcomed into royalty with the amazing grand foyer entrance. A fully remodelled kitchen that is perfect for an Iron Chef is among the many features that line this luxurious home. Not only do you have a/c to cool you on a hot day, the radiant heated floors keep your feet warm on cold days as you enjoy a glass of wine from your own personal wine cellar. Lavishly entertain guests with a state of the art home theater room. Enjoy a sunny afternoon bbq on the large patio with your friends, then relax and go for a swim in your own indoor swimming pool. Too much to list, call now to experience luxury at its finest.*

How did you feel when reading the second description? The first description spoke just the facts, but the second description captured your curiosity and emotions. It made you feel like royalty, like you've got a place that answers the need to entertain and impress and much more.

You were able to visualize yourself, right? This brings us to the next point.

PAINT A PICTURE

When reading the second description, could you picture yourself living there?

Could you visualize the grand entrance?

Did you see yourself with friends who complimented the grandeur of your home?

Could you see yourself with friends on the patio having a bbq and then going for a swim afterwards?

How do you feel? It feels good, doesn't it?

That's the power of visualization. In the description of your home, you are not just selling its features. You are selling the experience which is tied to the buyers' emotions.

Just like how Starbucks uses fancy names to label their coffee and cup sizes and creates a hip and inviting environment with soft music and comfy chairs, you are trying to create that sort of experience by first attracting them to your open house using a compelling description.

The key is to stir up emotion. Paint a picture for them, they will be intrigued and they will come. It's a very simple and powerful tool.

Tip #4: Online Marketing

Now that you've developed an excellent pricing strategy, got an Agent Opens and Public Open House plan and created an emotion stirring, breath-taking description of your home.

What's next?

Another key aspect of your ad on MLS other than the description is the photography and videography.

If you've got stellar photos and a beautiful professional video displaying your home, it makes a ***HUGE*** difference.

I've taken listings where it was previously advertised using a cell phone camera or a point and shoot camera and they had very little response. Then when I had my professional photographer go in there with professional lighting set ups and took professional photos using their camera that cost thousands of dollars, I had a storm of calls about it.

Even clients couldn't believe the pictures that my photographer took.

"Wow, that makes my room look so much bigger and brighter"

If the photos of a room impress even the owner, then you know it's going to impress the public.

If professional photography is the icing, videography is the cherry on top. Having a virtual tour or a professional video done of your home can add value. This is especially the case for buyers who like to comprehensively analyze the homes they like before going out to see them in person.

These buyers like to see house ads with the whole package: clear professional photos, great video tours, a great description and simple downloadable floor plans.

Speaking of floor plans, this just adds value to your house ad compared to the others that don't have floor plans. This is especially the case if your home has a very unique floor plan that stands out. Floor plans also allow buyers to visualize how they will walk through the home when they're looking at it.

Remember the importance of visualization? Help the buyers visualize buying the home and decorating the rooms using the floor plan.

Almost all REALTOR®s have websites nowadays. They blog on there, upload additional pictures and information such as neighborhood amenities, school catchment boundaries and public transit near your home. Make sure your home is advertised on your Agent's website.

Many Real Estate Agents also send out monthly e-newsletters. This is a great way to promote your home's first Public Open House and give your VIP subscribers a sneak peak.

Your REALTOR® will also likely talk about your home on their social media feeds (Facebook, Twitter and LinkedIn).

Craigslist is also an excellent way to add additional exposure too. Place an ad up there for your home for sale and it just adds exposure and targets those buyers who may be just tired of browsing the MLS or maybe they're looking for a home to rent and just stumble upon the houses for sale section.

As you can see, many of the online marketing tips above are either free or fairly inexpensive, but they offer huge dividends in terms of getting your home as much exposure as possible to get it sold quickly.

Tip #5: Detailing

This is the last tip but probably just as equally important as the other ones.

You have a great price, you've got great online exposure and everything and buyers are calling your REALTOR® to see your home.

Now, is your home dressed to impress?

Will it give off a clean and extravagant first impression?

Well, that depends.

What's the curb appeal like?

- Is the grass cut? Are there weeds everywhere, flowers on the walkway, un-pruned branches and shrubs? Is the roof falling apart? Does it look like a mess from the outside?

Forget about the inside for now. If the buyer has a bad impression from the moment they step out of the car, you've got a problem. You've already indirectly implied that you as the homeowner do not well maintain the exterior of your home.

Do necessary landscaping and exterior repairs as necessary. Don't cheap out on that first impression. It's the difference between appearing at a job interview unshaven, hair uncombed, wearing a wrinkled dress shirt and shaggy jeans VS clean shaven, scent of cologne, wearing a clean, iron pressed, dress shirt in a freshly dry cleaned suit and tie.

What about when the buyers step inside of the home?

- Are toys or clothing on the floor? Is anything on the floor that shouldn't be on the floor? Are the floors sweeped, vacuumed, mopped and clean? Are there obvious dents, scratches or holes in the wall? Is the wall paper or paint wearing out?

Remember how I shared about how Starbucks creates an emotion and feeling for customers by decorating their environment and playing music in the background. Basically, you want to give buyers a clean and fresh experience when they enter your home. Your home might not be brand new, but you don't need to shout it out through a microphone.

Clean your home. Put away the sofas with food stains and the chairs with holes in them. Don't leave all the food on the kitchen and dining table. Don't distract your buyers by making them focus on the cereal brand or type of bread you eat in the morning.

Even though your home is old, buyers should be made to feel like the home is in excellent livable, well maintained, move-in ready condition.

There's much more I can go into regarding making your home in showroom condition. If you've read a report I wrote called the "10 Simple Things To Prepare Your Home To Sell For Top Dollar", it goes into much more detail.

Basically, you've drawn the increase of buyers to your home through the strategies above and now you want to make sure you leave them with a lasting impression. You don't want them to be impressed by the photography and videography only to find that your house is a mess.

Take the time to clean your home, do minor repairs or renovations, replace old appliances with new ones as it prevents buyers from using that as a way to criticize your home.

PART 3

Investing in Vancouver

CHAPTER 15

Top 10 Mistakes Real Estate Investors Make And How To Avoid Them

In a city like Vancouver where real estate is one of the top 3 topics on everyone's mind, the concept of real estate investing intelligence is more important than ever.

When it comes to investing, if it's not stocks, it's typically real estate and almost everyone I talk to has real estate as one of the top things they want to get into when they have money to invest.

The problem is that the education of real estate investing in Vancouver is not very prevalent. There are quite a few local real estate investors but not many wide spread educational programs or seminars that target how to invest in Vancouver.

There are a few big local clubs such as the Real Estate Investment Network (www.reincanada.com) and Real Estate Action Group (www.reag.ca).

These clubs are great if you want to get connected with a group of like minded individuals interested in learning and supporting one another.

In this chapter, I'm going to be speaking to the majority out there who aren't very familiar with the real estate investing world. When I first entered the real estate industry as a REALTOR®, I thought that since I was a REALTOR®, real estate investing would be easy, but I couldn't be farther from the truth.

It wasn't until I bumped into a veteran real estate investor that I recognized my ignorance in this completely different dimension called real estate investing. I started to read books on real estate investing, attended seminars and joined real estate clubs and talked to like minded individuals to increase my knowledge in this field.

The more I learnt, the more I saw that most people who do real estate investing are not doing it very well and hence run into a lot of problems and they start pointing fingers at the tenant or the investment or the market.

Are you looking into real estate investing but hesitant that you won't make any money?

Have you heard the tenant horror stories and felt afraid?

Do you buy a property to rent out only to find out it can't be rented?

Below I'll go into the top 10 mistakes I see most people making when it comes to real estate investing.

1. Rent > Mortgage payment ≠ Positive Cash Flow

I often talk to people and they think they've got a great investment because the rent they're getting covers their mortgage payment. I've even heard them say they're getting positive cash flow.

Just because your rent is greater than your mortgage payment ***DOES NOT*** mean you are getting positive cash flow.

Let me give you an example to illustrate my point:

John buys a $300,000 apartment with a 20% down payment so his mortgage is effectively $240,000. He borrows at 3%, amortized over 25 years, and his monthly payment is approximately $1150.

He rents his home for $1300 and he is jumping with joy because he thinks he is pocketing $150/mo in positive cash flow.

The mistake here is that he forgot to consider just ***SOME*** of the main expenses to a real estate investment: property taxes, monthly strata fees and home insurance.

Let's say property taxes are $1200/yr, monthly strata fees are $250/mo and home insurance is $600/yr.

Let's add these figures to the monthly payment:

	Expenses (per month)
Mortgage Payment	$1150
Property Taxes	$100
Strata Fees	$250
Home Insurance	$50
Total	**$1550**

Now, when you look at it this way, the $1300 his tenant pays him is not enough to cover his $1550 in monthly expenses.

There are other expenses that I didn't incorporate here but I'll discuss more a little later, but hopefully this example clearly outlines to you that just because the amount you charge is greater than the mortgage payment, it doesn't mean you are getting positive cash flow.

2. Not Raising the Rent

I don't get it when I hear people who have properties with tenants where they haven't raised rent for years and years. They use reasons such as:

"But they're a good friend"

"These tenants are good and they haven't caused any trouble"

"If I raise the rent, they'll leave"

"If they leave, I'll have a tough time finding another tenant and I'll be losing money because I'll have to pay for the mortgage"

Let me address these concerns 1 by 1.

"BUT THEY'RE A GOOD FRIEND"

Your tenant is not your friend. Renting out your investment property is a business. You may be treating them as a friend by giving them cheap rent but if your "friend" cared about you, they'd pay you what you deserve, i.e. market rent. Doesn't your "friend" know you have a family to feed? That you have expenses too?

EXACTLY!

Let me give you some tough love.

Your *"friend"* doesn't care.

If you wanted to do charity work, rent it out to them for free. Why charge them anything at all? The purpose of a rental investment property is to make money and you're defeating the purpose by not raising the rent. I'm not saying you can't rent it out to friends, but you have to remember that it's a business, not a low income housing alternative.

"THESE TENANTS ARE GOOD AND THEY HAVEN'T CAUSED ANY TROUBLE"

So your tenants are really good and they haven't caused any trouble? You've been a faithful customer of the grocery stores and your local McDonalds, but how come they raise prices from time to time? Well run businesses factor in inflation and that the Cost Of Goods Sold (COGS) will go up gradually.

The cost of living goes up and as you look around you, it is evident. So if you haven't been raising rent for years, once again you're not treating your rental property as a business. Don't forget there is a maximum rental rate that you can incorporate into a rent increase to your existing tenant.

If you don't raise the rent for years and then you want to jack up the rent 15% to make up for all those years you haven't increased the rent, you're not going to be able to.

There's a reason why there's a maximum rent increase amount set by the Residential Tenancy Branch. As of 2015, the standard allowable rent increase is a maximum of 2.5%. You can find more information on the BC government website below. Just look under Residents, Housing and Residential Tenancies. www2.gov.bc.ca/en/index.page

There are some exceptions but you're going to have to jump through a lot of hoops and it won't be easy.

So you're still saying, "but my tenants are such great people?" That's great, so be a **GREAT** landlord. Provide excellent customer service. Visit them on their birthdays, drop by and greet them, maybe have coffee with them or see if you can obtain feedback on how you can make their stay more comfortable.

Hotels and restaurants offer their patrons feedback forms, what makes you any different?

Then, when you raise the rent, yearly is what I recommend, you won't feel like you didn't deserve it. If you've been a great landlord, then they'll appreciate you so much that they won't mind paying the small increase in rent every year.

They would actually feel worse if you didn't raise the rent. Let's say the market rent started out to be $1000, and in the beginning you charged them $750. Over the years, the market rent went up to $1500. You decide to apply to increase the rent to the market rent of $1500. You get it approved but think about how your tenants would feel.

They've already established their routine year after year, putting aside $750 for rent and budgeting accordingly and all of a sudden you're going to double that amount.

How do you think that will affect them?

How do you think it'll affect their standard of living and their budgeting?

Do you think they're going to be happy with that?

Most tenants who get slapped with a rent increase of double their previous amount will be shocked and angry regardless of them being undercharged for years. Your tenants are not going to be like, "oh Mr. Landlord, I'm grateful that you undercharged me rent for so many years and now you're doubling the rent to market value, I understand and I totally appreciate it. Let me be your happy tenant for the next 5 years…"

Most tenants will just straight out leave. So, at the end, you'll end up with no tenant. If you have a great tenant, be a great landlord by treating them as a VIP tenant but don't forget to raise their rent regularly.

"IF I RAISE THE RENT, THEY'LL LEAVE"

If your tenants don't respect that you're their landlord and that your rental investment property is to be conducted like a business, then let them leave.

When you look for tenants, are you telling your tenants that you'll never raise the rent? Or are you just not mentioning that to begin with?

Communication and managing expectations!
That is the KEY!

If your tenants don't want to pay "market rent", then let them leave. There are tonnes of other people out there who will gladly rent your place out. If your place is a mess, then maybe "market rent" for your place is a little lower than what you're expecting.

So, be wise and prudent. Do your research. If you're a lazy landlord and you don't keep your rental property up to date, then don't expect to charge what everyone else is charging.

On the flip side, if you're a great landlord and you take good care of your rental investment property and it's always well maintained, then be confident that you deserve to be receiving market rent for your property.

Also, if you can't handle tenants leaving, then maybe you should LEARN how to handle tenants leaving. You bought a rental investment property to learn how to be a good landlord, right? You didn't just buy a rental investment property and expect money to automatically get deposited into your bank account without you lifting a finger, right?

If you're too lazy or busy to do that, hire a property manager or property management company to deal with these things for you. Yes it'll cost you, but it'll save you a lot of trouble. If using a property management company was your original plan, then make sure you factor that amount into your positive cash flow calculations.

"IF THEY LEAVE, I'LL HAVE A TOUGH TIME FINDING ANOTHER TENANT AND I'LL BE LOSING MONEY BECAUSE I'LL HAVE TO PAY FOR THE MORTGAGE"

We'll talk about factoring in a vacancy allowance a little later. But having a tenant leave is just part of the business. Make sure you have enough savings to cover the mortgage for a month or two in case your tenant packs up and leaves when you tell them you want to increase the rent.

Even if you decide not to increase the rent, you should have enough savings to cover the mortgage for a few months in case your tenants just pack their bags and take off without notice.

A common fear in this business is the landlord's fear that they won't find another tenant for months and months and that they'll lose money because they have to pay the mortgage.

If you've been charging below market rent, then this is a great thing if your tenant wants to leave. Once the tenant leaves, you are not bound by the maximum yearly rent increase regulations and can change the rent to whatever rental amount you want.

One of the things you can do to prevent these difficult rent increase conversations is by having the rent increase talk at the very beginning when you have your tenant sign the lease agreement. Since most landlords don't have this conversation, let me suggest another alternative. Give your tenant 6 months advanced notice before you increase the rent.

If the tenant asks why, just explain that strata fees are going up, property taxes are too, inflation, etc…

I don't know why tenants would ask why as I don't go to McDonalds or Subway and ask them why they increased the prices on their menu. I know the worker there isn't the decision maker, but even if the decision maker was sitting at the store, I wouldn't be asking that kind of question. I already know why.

Their costs go up and their profits shrink, so they have to increase the prices to maintain profits. Or, their profit margins are too low and they want to increase the profit margins.

3. Not Budgeting a Vacancy Allowance or Property Management Allowance

Earlier, we talked about how rent greater than the mortgage payment is not equal to positive cash flow and we discussed some expenses to include, such as strata fees, home insurance and property taxes.

Now, we're going to go into some advanced budgeting that very few people incorporate into their real estate investment property.

Vacancy Allowance – You should be incorporating a 1 month vacancy into your calculations of positive cash flow. 1 month out of the year is equivalent to 8.33% (1/12) so top real estate investors typically use 8%.

How does this number work?

So, in the earlier example, we talked about John charging $1300 in monthly rent where his mortgage payment was $1150. Let's take a look at the updated table below.

	Income (per month)	Expenses (per month)
Rent	$1300	
Vacancy Allowance (8% of Rent)		$104
Mortgage Payment		$1150
Property Taxes		$100
Strata Fees		$250
Home Insurance		$50
Total	**$1300**	**$1654**

His income is $1300. However, his new expense, vacancy allowance, which is 8% of the rent equates to $104 per month. Therefore, if you add up the Expenses column, it totals $1654 and his cash flow is therefore $1300 – $1654, or $354 in negative cash flow.

Property Management Allowance – We also discussed earlier that if you are an investor that doesn't like to be hands on and you prefer hiring a property manager or property management company, you need to budget in a property management allowance.

Property management companies usually charge around 8–10% of the monthly rent, so budgeting that amount into the picture, here's what your table looks like.

	Income (per month)	Expenses (per month)
Rent	$1300	
Property Management Allowance (10% of rent)		$130
Vacancy Allowance (8% of Rent)		$104
Mortgage Payment		$1150
Property Taxes		$100
Strata Fees		$250
Home Insurance		$50
Total	**$1300**	**$1784**

Looking at this table, if you're renting the property out for $1300 and using a property management company, you're looking at a negative cash flow of $484.

Why is this important?

When calculating whether an investment property can produce good positive cash flow, you need to do these basic calculations to see if it's worth it.

We'll go into detail later on about <u>Return on Investment (ROI)</u> and we'll take a look at how to determine your ROI.

With these basic calculations, you can already see that you'll need to charge a lot more in rent just to get positive cash flow. If you charged $2000/month, then after running the numbers you'll be left with $90/month of positive cash flow.

It's easy to create a template like this on an Excel spreadsheet or you can just write them out by hand. Using this template, you can easily find out whether a property you are looking at will generate positive cash flow or not.

4. Not Buying Adequate Investment Property Insurance

Let me start this section by telling a story that was shared in my real estate brokerage by a co-worker at one of our office meetings.

There was a man who owned a condo unit in a large residential tower. It was located high up there, maybe on the 30th or 40th floor. He had an old dishwasher and wanted to replace it. He replaced it and one day when he was not at home, the new dishwasher leaked.

With typical dishwasher or washer and dryer leaks, it usually just affects the unit below, but unfortunately in this particular instance, the leak was huge and it touched every unit from his unit **all the way down** to the lobby.

He had insurance, but the insurance policy asked him whether he got a city permit to install the dishwasher, he said no. Therefore, the insurance policy charged him with the insurance deductible for every single unit the leak affected from his unit all the way to the lobby and he ended up with a $100,000 invoice.

One of the lessons here is to always get permits for any appliance replacements that you do in your condo or ask your insurance company whether they need that. The second lesson and more important lesson is to always get sufficient insurance coverage.

Insurance can easily be very complicated and tedious to study, so it's even more important for you to speak with a professional insurance broker who can lay out all the options for you.

Don't just buy the cheapest insurance policy out there. Like I always say, you get what you pay for.

In this real estate investment industry, it is absolutely essential that you are adequately insured in case the unexpected occurs.

3 LEVELS OF COVERAGE

1. **Actual Cash Value (ACV)** – This is where the insurance company will pay you to repair or replace your insured building minus the depreciation. The problem with this is that construction costs keep rising so the ACV will be lower than the replacement cost and you'll be left with a bill to pay the difference.
2. **Replacement Cost** – This is where the insurance company will pay you the full amount to repair or replace the insured building. However, they will only pay you up to the amount of coverage you bought. So if you bought $500,000 worth of coverage but it costs $600,000 to rebuild, you have two choices.
   a. You either rebuild and pay the additional $100,000 or
   b. You choose not to rebuild and accept a claim based on the ACV.
3. **Guaranteed Replacement Cost** – This is where the insurance company will pay you whatever it costs to rebuild the building even if it exceeds the amount of coverage you bought. Unfortunately, only a few insurance companies offer this so you should talk to your insurance broker.

Tenant Vandalism – If your tenant vandalizes the place and takes off, does your insurance policy cover the repairs and the loss of rental income? Some insurance policies cover damages caused by damages up to a certain amount and pay you for the loss of rental income for a period of time.

Bylaw Protection – If your building suffers any damage or loss and repair is needed, the municipality will require repairs to conform to current building codes. If your building is old and outdated, then a complete upgrade of plumbing, electrical and heating systems, etc, may be required. So take note of this if your rental property is old and outdated.

Personal Liability – If your tenant has a guest over and the guest slips on the balcony and breaks their arm and sues you, do you have personal insurance liability? Personal liability protects you against such claims and will even cover you for legal fees.

Contents Insurance – You are aware of insuring your own personal contents of your own principle residence, but what about the contents of your investment property? How about the appliances in your condo? These are not covered by tenant insurance unless they are owned by the tenant and they are not covered by the strata corporation's Master Insurance policy.

Unit Upgrades or Alterations – When you are buying a condo, remember that the Strata Master Insurance Policy covers the unit as it was originally built so if you have made any renovations or upgrades, make sure you have insurance coverage for those upgrades. Even if you weren't the one who did the renovations, make sure your insurance policy covers the cost of those upgrades.

THINGS THAT AREN'T COVERED:

1. **Drugs** – If you are renting out your home or condo and it's been found that they were employing a grow op there and your property has sustained lots of damage, this will likely not be covered by your insurance policy.

2. **Wear and Tear** – This is common sense but just a reminder that you are to regularly maintain your investment property.
3. **Fungi and Mould** – Loss or damage caused by fungi, mould, rust, corrosion, bacteria, condensation or contamination is not covered as well in insurance policies.

ITEMS THAT INCREASE THE RISK OF YOUR INSURANCE POLICY

1. **Flood Plain** – If your property is located in a flood prone area, then the risk is definitely higher. Have there been any past claims for flood damage?
2. **Age** – If your property is very dated and the electrical, plumbing, and heating have not been upgraded, your insurance company will take this into account when providing coverage and in some cases will deny certain coverage until the upgrades have been done.
3. **Past Claims History** – If there is a history of claims on your house or your condo unit, this will increase your insurance risk level. I know a residential condo building downtown that has had multiple floods and because of that the flood deductible last I heard was $250,000.
4. **Fire Protection** – If your home is in the suburbs miles away from any fire station, then your premiums will likely be higher than a home that is located closer to a fire station.
5. **Vacancy** – Often insurance policies don't provide coverage if your home has been vacant for more than 30 days. A small number of insurance companies do offer coverage up to 60 days of vacancy. Also, certain coverage may not be covered if your investment prop-

erty has been vacant, so make sure you discuss this with your insurance broker.

6. **Repetitive Claims** – Obviously, if you've filed multiple small claims for your particular unit, your insurance risk and your insurance premium will go up.

I've only covered the basics. Make sure you talk to an educated and informed insurance broker who can help analyze your needs and advise on the different options according to your needs.

5. Not Filtering Out Tenants

One of the most common complaints I hear from landlords is that they have these horrendous tenants who do some crazy things. In BC, once you have a tenant, it's almost impossible to kick them out unless they violate some major rules and even then they can dispute it and just cost you as the landlord a lot of time and headache.

After conversing with these landlords, I realize that they don't really do a good job of filtering out the bad tenants. They do basic reference checks and some don't even do any reference checks. They don't do background or criminal record checks and don't even verify their income status.

Trust me. As a REALTOR®, I've seen some pretty nasty tenants. They trash the place, have grow ops, they make it impossible for you to sell the place and they're hard to kick out.

If your investment property is a condo and you've rented it out to a bad tenant. Any bylaw infractions caused by your tenant will be assessed to you, as the owner of the unit. You might try to enforce that on the tenant to pay those fines, but like I said, bad tenants are hard to deal with and you might as well just hire a collection agency and hope to get partial reimbursement.

It's better to have no tenant than a bad tenant.

If you're trying to sell your place and you have a bad tenant, that can be extremely difficult. They can be present at the showing and you can't prevent them from saying negative things about the property in front of the potential buyer.

> **GARY's WOW**
> — WORDS OF WISDOM —
>
> It's better to have no tenant than a bad tenant.

I once listed my client's penthouse which was rented out to a tenant who was paying below market value rent. Side note: how much you charge for rent will attract different kinds of tenants. If you're aiming for high end tenants, don't charge cheap rent.

So, it was difficult to arrange showings for this penthouse because the tenant demanded to be there for every showing as he didn't trust me showing the property when he wasn't there. He was afraid buyers would steal his possessions.

By law, I can just give the tenant 24 hours notice by putting a notice on his door and he is mandated and required to allow me to do the showing. However, I didn't want to be that extreme. I wanted to develop a friendly relationship with the tenant knowing that if he wanted to, he could make it very difficult for me to sell the apartment.

As I mentioned, the tenant is allowed to stay in the unit during the showing and the tenant's allowed to say anything he/she wants. So, in my case, my tenant kept mentioning to potential buyers and the buyer's agents that there were floods and leaks and the place was horrible and the heat didn't work, etc… and he would ramble on and on.

Obviously, this drove concern and fear to potential buyers. He also limited my showings to only once/week and only gave me a one hour window and because of that I had to turn down about 10 showings in a period of 2 months.

The tenant obviously didn't want my client to sell the unit because then he'd have to vacate and find another place to live. He was determined to stay in the unit and he even wanted to buy the unit from the landlord (my client), but that didn't happen as he was offering way too low for my client to even consider.

To make a long story short, it took about 6 months to finally kick the tenant out through a long process with the Residential Tenancy Branch and arbitration and lawyers getting involved.

This brings me to my next point.

Although the Residential Tenancy Act tries to be fair towards tenants and landlords, I have found that they highly lean towards protecting tenants which is fair as the Residential Tenancy Office probably receives more tenant complaints than landlord complaints.

Many landlords aren't even aware that there's a Residential Tenancy Office that can help them resolve landlord tenant disputes.

And when it comes to disputes towards tenant violations, tenants can always request an arbitration which delays and stretches out the resolution to the conflict. Then, when arbitration takes place, a tenant's plea for exceptions can occur and there's very little you as the landlord can do.

There's no fool proof way of renting to a perfect tenant but there are some precautions you can take and some tips you can use to filter out the bad apples.

Don't Rent to Friends – This is a tricky issue. Your rental investment property is a business so if you rent it out to friends, there's a high chance you're going to mix your friendship in with your business rather than separating friendship and business. If your friend pays rent late or makes up some reason why they can't pay rent on time, what are you going to do?

If you make an exception one time, then it'll always happen. If your friend causes trouble and damages your property, are you going to bill them? Are you going to let them get away with it, just one time?

What about how much you charge them for rent? Are you not going to increase rent because they're having a tough time financially? Are you actually helping them by giving them money or are you spoiling them?

What if you need to evict them for some reason? What are you going to do then?

If you're going to let your friends stay at your investment property as a favor for a short period of time, don't treat it as a business and don't charge them rent. If you're going to treat your rental investment property as a business, then don't bend the rules for anyone. Keep friendship and business separate.

Don't Rely on Direct References – Perform 3rd Party Reference Checks. When you call your tenant's reference, ask the reference whether they know anyone else who knows the tenant and obtain their contact information. The tenant's direct reference is likely going to give positive feedback otherwise the tenant wouldn't use that direct reference in the first place.

Calling a 3rd party reference may allow you as the landlord to really see what your tenant is like. You can even call the 3rd party reference and ask if they could provide another person for you to contact to obtain another perspective on the prospective tenant.

Ask your tenant to provide a work place reference as well. This is where you can verify their place of employment. Don't just call the contact number that was provided as this can be a number to their friend's cell phone who can pretend to be the tenant's employer. Call the company's office number and ask to speak to the person noted as the tenant's employer.

At this time, you can also verify the tenant's income and employment status so you know whether the tenant is a qualified tenant.

Criminal History Check – Always perform a criminal record history check on your tenant. This can be done at your expense or the tenant's. You want to know what kind of background your tenant has had and be fully aware of who you are renting out to. You don't want cops visiting your rental investment property over domestic abuse issues and other nuisances.

Credit Check – Do you want to see if your tenant will pay rent on time? Make sure you perform a credit check on your tenant and see if there are any red flags in their credit history.

Always Take Pictures/Video – You should be taking pictures of your tenants and also taking pictures of your property before the tenancy begins. Take video as well. You want proof if there ever is a dispute regarding the property's condition before the tenancy.

If your tenants cause trouble and you need a way to identify them to the police, the pictures and videos will be very helpful. If your tenants are very resistant to that, then I would be a bit suspicious.

Obtain Copies of Their ID – If you can, try to get a photocopy of your tenant's driver's license so that if they perform any illegal activities or damage your property, you have a way of reporting them to the appropriate authorities.

6. Not Drafting a Strict Tenancy Agreement

I can't stress how important this item is. As I talk with landlords, I am surprised by how little information is specified in the tenancy agreement.

Then you wonder why tenants get surprised when you want to raise the rent or you want to imply certain rules in the house, such as addressing late night parties, an unreasonable number of inhabitants, pets, etc…

You wouldn't work for a company that doesn't address how you will get paid, how much vacation, vacation accrual, sick days, overtime policies, tardiness, workplace abuse, workplace culture, promotion opportunities and such, so why would you leave out these things in a tenancy agreement.

The worst is when I hear from landlords and tenants that there is no tenancy agreement in place.

There's a standard tenancy agreement on the Residential Tenancy Branch website but I'd recommend adding more than just the basic terms listed there, especially if you have specific custom terms you want to include.

The standard items addressed in the basic residential tenancy agreement are the following:

- Contact information of the landlord and tenant
- Length of the tenancy
- Amount of Rent and when it is to be paid
- What is included in the rent
- Security and pet deposit fee amounts
- Basic rent increase stipulations
- Landlord and tenant's obligations
- Basic tenancy termination stipulations
- Additional Terms to be included

This tenancy agreement is a legal document and it is legally binding.

The additional terms page is a crucial part of the tenancy agreement because many of the items listed in the basic tenancy agreement are very vague and can be misinterpreted.

Here are some items you may want to include in the additional terms section:

- Limit on the number of people who can stay at the place at one time. For example: 5 people in a 2 bedroom apartment
    - If there will be temporary visitors, then specify how many are allowed and how long the visitors can stay for
- Names of all of the tenants and children, not just the 2 listed on the basic residential tenancy agreement
- Acceptable methods of payment. Do you want 12 post dated cheques or do you want them to be deposited into your account or…?
- Late fees. Do you want to stipulate penalties for late fees? I would recommend either implementing some sort of late fees or a discount or bonus of some sort for early or consistently paying on time.
- How the pet or security deposits will be used or how they will be returned to the tenant. Be clear on the additional terms section like when will the security deposit be used. Some tenants want the security deposit to be applied to the last month's rent which is not allowed.
- Some clear guidelines on what the tenants will pay for in regards to maintenance and repair and what the landlord will pay for.

- Restrictions on what kind of alterations can or cannot be done to the property with or without the landlord's permission and who will pay for these alterations.
- Regular monthly or quarterly home inspections or visits. I would specify certain dates you will be visiting the home to check up on the condition. That way you're keeping the tenants accountable for keeping the property in a clean and tidy state.
- Restrictions on tenant illegal activity. To avoid being fined by the strata council or receiving complaints from the neighbors or even visits from the police, you should incorporate clauses that prohibit illegal activity, excessive noise and disruptive behavior. Make sure you specify fines or repercussions for breaking these terms, such as immediate eviction with no option of arbitration.

7. Not Scheduling Regular Checkups on Your Tenants

I mentioned above that you should include in the additional terms that you will be visiting the rental investment property regularly and even performing a regular home inspection to ensure the home is in essentially the same condition minus normal wear and tear that it was before the tenancy.

However, even though some landlords write this clause in the additional terms, due to being busy or lazy, they rarely visit their rental investment property. Many of these landlords are often out of town and treat their rental investment property as something that will self manage itself.

In those cases, I'd highly recommend employing a property manager or property management company. You don't want to give your tenants the idea that they can do whatever they want because the landlord never checks up on them. You always want to provide freedom to your tenants but only after they've established their reputation and earned your trust.

This can only occur after a long period of time.

Also, performing the home inspection can also notify you of some immediate repairs that are needed that neither you nor the tenants were aware of. These items may be of a health and safety matter and it's important that you be on top of it rather than be surprised when the issue is so bad that it'll cost thousands of dollars to remediate.

8. Buying Properties That Don't Cash Flow

One of the strongly recommended statements preached in the real estate investing club I'm a part of is to not buy properties that do not cash flow.

This is easier said than done. Before learning about the real estate investing world, I thought that as long as the rent covered the mortgage payment, it was a great investment. As I shared earlier about positive cash flow, there are a lot more factors to incorporate to calculate positive cash flow.

I often see people buying properties and renting them out, but the rent only breaks even with the mortgage payment or it is much lower than their mortgage payment. They use the reason that the rent will pay for a part of the mortgage payment and they're ok with that.

Initially, I would say it's not ok. But, in real estate investing, there are so many different angles to look at an asset.

Some investors are buying properties for the sole purpose of obtaining positive cash flow. In this case, positive cash flow is essential.

Some investors are buying properties to live in themselves, for the comfort or location of the property, as a summer or vacation home and when they're not living in it, they're renting it out. They're not looking at it as an investment, but more as a 2nd home or vacation home. In that case, the desired rent is not always important because they're not looking at it as a business.

Some investors are buying properties for the sole purpose of asset appreciation. They buy the home, hold on to it for a few years and sell it after the property has increased in value. In Vancouver, many people do this with buying single detached family houses in booming neighborhoods or with buying selective presale apartment units.

In these cases, the rental income is not important to them. They just want the rent to cover the interest portion of their mortgage. Their main goal is for the property to appreciate in value to the point where they will flip it.

Then, there are some investors who buy the home with the mixed purpose of obtaining positive cash flow and asset appreciation. They might not be getting a huge positive cash flow, sometimes just breaking even, but they're aiming for the property to appreciate in value for the purpose of flipping it and making a profit.

If the property doesn't appreciate to their desired goal, they may desire to continue renting it out and just holding on to the property.

All in all, the statement to not buy properties that don't cash flow really depends. Just be sure that you have the right goal in mind for your investment property and that your asset is performing according to that goal.

9. Calculating ROI Properly

Your investment property is making $200/month, is that good? What about $20/month? Is that acceptable? My property appreciated 5% this year, is that a good figure?

Well, it all depends on what your desired ROI is. If your desired ROI is 1% and you are making 2%, then I'd say you are doing well. If your desired ROI is $20/month and you are making $200/month, I'd say you are hitting it out of the park. If your desired ROI is $500/month and you are receiving $200/month, then that's not too good.

Let's start off by defining ROI.

Return on Investment (ROI) = Net Income/Initial Investment

This number is expressed as a percentage. Let's say you put $1000 into your savings account at the bank with a 2% interest rate. After a year, you make $20. Your ROI is 2% because your net income is $20, initial investment is $1000 and when you take $20/$1000, the result is 0.02 or 2%.

With this definition in mind, now when someone says they are generating $20/mo of positive cash flow, you can calculate what this amount really means. We'll use the same example from above:

"John buys a $300,000 apartment with a 20% down payment so his mortgage is effectively $240,000. He borrows for 3%, amortized over 25 years, and his monthly payment is approximately $1150."

Remember, he was renting it out for $1300 and he forgot to incorporate the other expenses. Below we incorporated the other expenses that John failed to see.

	Income (per month)	Expenses (per month)
Rent	$1300	
Property Management Allowance (10% of rent)		$130
Vacancy Allowance (8% of Rent)		$104
Mortgage Payment		$1150
Property Taxes		$100
Strata Fees		$250
Home Insurance		$50
Total	**$1300**	**$1784**

So how do I go about calculating this?

ROI = Net Income/Initial Investment. What was John's initial investment? A common mistake is for people to think it was $300,000. It was not $300,000. John took a mortgage out and the only money he had to pay out of his own pocket was the 20% down payment or $60,000.

Another formula for this way of looking at it is called the **Cash on Cash Return**. The formula for this is

Cash on Cash Return = Annual Cash Flow/Total Cash Invested

But there's no need to remember the ROI formula and the Cash on Cash Return. The Cash on Cash Return is just a specific interpretation of the ROI formula. Just remember that both formulas are referring to numbers before tax.

The Initial Investment number is $60,000. Let's calculate the net income. The formula for net income is

Net Income = Revenue – Expenses.

In this case, John's revenue is $1300 and his expenses are $1784 if he incorporates a property management allowance.

Therefore, John's net income is $1300 – $1784 or –$484. That's his monthly net income, so yearly would be –$5808. So his yearly ROI is –$5808/$60,000 = –0.097 or –9.7%.

That doesn't look like a good investment to me if he was aiming for rental cash flow. But for argument's sake, let's assume the market was doing well and the demand for rent in that area skyrocketed and John could rent the unit out for $2000/month.

Then his net income would be $2000 – $1784 or $216 and his yearly income would be $2592 ($216 × 12).

In this case, his yearly ROI would be $2592/$60,000 or 0.043 or 4.3%. This is much better than putting your money into a local bank's savings account.

Now that you have the basics down of ROI, let's go even deeper to analyze whether John's investment is **TRULY** profitable or not. From the original example, his ROI = –9.7%. But is it truly -9.7%?

Let's incorporate 2 other factors that **advanced** real estate investors use to analyze this. In the example, John's tenant is paying John $1300/mo to John. The tenant is essentially paying off John's conventional mortgage (blended interest and principle payments).

If you look at John's mortgage and the amortization schedule, you will see that the first year's mortgage payments will be approximately 50% interest and 50% principle. Approximately $650 goes towards the principle in that 1st year. And in subsequent years, the principle will gradually be larger and larger and will be more than the interest portion.

I'm saying that John's tenant is putting $650 in John's savings account every year. Let's say that John's investment property never goes up in value (unlikely in Vancouver's market), but let's just assume for argument's sake that it never rises in value. After 25 years, the tenant(s) that will have lived there will have paid off John's mortgage.

If John's property didn't rise in value, his property would be worth $300,000 in 25 years and so the tenants will have put $300,000 into John's savings account.

So, the tenants paying rent every month is technically putting money into John's savings account which can be calculated into your ROI.

	Original Numbers	**Tenant Depositing into John's Savings Account**
Net Income	–$5808	–$5808 + $7800 = $1992
Investment	$60,000	$60,000
ROI	–9.7%	0.033 or 3.3%

An ROI of 3.3% is definitely better than the previous –9.7% but it's still not incredibly high.

Now, let's incorporate another figure that advanced real estate investors use.

We all know that properties rise in value in the long term. In Vancouver, house values can easily rise 7–30%/year depending on the house and neighborhood. For apartments and townhouses, it's much slower, maybe 2–5% per year.

For John's case, his unit is an apartment and to be ultra conservative, let's use a 1% asset appreciation figure just to emphasize a point.

	Original Numbers	Tenant Depositing into John's Savings Account	Asset Appreciation (1% of $300,000 = $3000)
Net Income	-$5808	–$5808 + $7800 = $1992	–$5808 + $7800 + $3000 = $4992
Investment	$60,000	$60,000	$60,000
ROI	–9.7%	0.033 or 3.3%	0.083 or 8.3%

Now, how do these numbers look to you?

They look pretty attractive, don't they?

I know what you're thinking.

But Gary, those numbers are based on the current low mortgage interest rates, what if they increase?

You're absolutely right! I don't expect the mortgage rates to be this low for the next 25 years. They will likely increase. On the other hand, I also didn't incorporate another big factor.

Can you guess what that is?

RENT INCREASES!

Remember, we talked about earlier that you should be increasing your tenant's rent yearly. At the time of this writing, the current maximum you can increase it yearly is 2.5% which is double of Canada's current inflation rate of 1.2%.

You don't expect that market rent for John's property will stay at $1300 for the next 25 years, do you?

Even the price of gas and food will go up in the next 5 years, let alone 25 years.

Now, when you look at John's investment from this advanced real estate investing perspective, do you still think it's a poor investment?

His ROI is conservatively calculated to be 8.3%. This is much different from the -9.7% we initially recorded previously.

I've gone into a lot of calculations in this chapter and I encourage you to reread these concepts a few times until you understand them. If you need more in depth coaching, I encourage you to visit my website at www.garywongrealty.com for additional articles and videos or visit www.garywongrealty.com/bonuses for the additional bonuses that come with this book.

10. Buying a Property But Finding Out You Can't Rent It Out

I see this scenario happening for both houses and condos. Let's talk about houses first.

a) Single Detached Homes – Nowadays, it's very common for houses on the market to advertise the existence of an unauthorized suite, usually in the basement.

We talked about this in the beginning of the book but let me refresh your memory.

Some houses have 1 or 2 or multiple unauthorized suites in the basement and they advertise the large amount of rent that they are receiving because of the multiple suites in the home.

Most buyers take a look at this, calculate the numbers and believe that they could replicate the exact same results.

They buy the home thinking that they'll be able to rent out the multiple suites only to find that a neighbor had complained to your municipality city hall. The municipality sends an inspector over to inspect your home, discovers multiple unauthorized suites and basically shuts down your rental operations.

Suddenly, the numbers that made sense prior to buying the property don't make sense anymore because you had to shut down a number of unauthorized suites. The city inspector will likely have also advised you the process required in order to legalize the suite which often involves some renovations and fees that can be upwards of tens of thousands of dollars.

But how often do the neighbors complain?

The answer: More often than not. Yes, but there are so many people that do it and don't get caught. True, but the city is cracking down more and more. I read an article where the city of Surrey has hired officers to call Craigslist ads for rent and then they go there and discover that it's an unauthorized suite and they fine the owners of the home.

You can Google it. There are a few articles that talk about this. Here's one of them: www.news1130.com/2014/02/13/surrey-looking-online-to-crack-down-on-illegal-suites/

I wouldn't be surprised if other municipalities followed suit and started implementing similar programs. I mean the city is always finding ways to make more money.

Just beware. Know that if you're buying a place that has unauthorized accommodations, there is a chance that you'll be forced to legalize the suite and shutdown illegal suites.

b) Condos/Townhomes – In condos, you don't have the problem with illegal suites, but there are 2 problems that come up often.

The first is the implementation of rental bylaws. When you buy a brand new condo, the standard bylaws will allow rentals but over time, the strata council can vote to change the bylaws to the ones that they vote upon.

If you're buying a brand new unit, there's a high chance that rentals will be allowed for the short term. However, if you're buying an older unit, either there will have been some rental bylaw changes prohibiting a certain number of rental units in the building or there is a chance that rental restrictions may be imposed in the future.

The second issue that is getting more and more common is condo units are being used as short term rental suites. Owners advertise their units on sites such as www.airbnb.ca in order to generate higher rents. It's not an issue with brand new condo units where standard bylaws allow short term rentals.

However, more and more condo buildings, including newer ones are implementing custom bylaws that prevent short term rentals or require a minimum rental period. The strata councils do this for many reasons. One reason is that they do not want the building to turn into a hotel or a hostel where there are multiple tenants going in and out of the building.

So, if you're planning to buy a condo for the purpose of short term rentals, make sure you read the strata council bylaws **carefully**. Just because a condo unit has "rentals allowed" in the ad description, doesn't mean it allows short term rentals.

CHAPTER 16

How To Buy, Rent & Flip For Profits

Are you tired of renting month after month, year after year with no end in sight while your landlord keeps jacking up the rent?

Are you struggling to find ways to come up with that down payment?

Are you constantly worried that if you buy, you won't be able to pay the mortgage?

It's difficult, eh?

Yes, it is… IF YOU DON'T HAVE THE TOOLS. Let me tell you the good news!

There are ways to do it and it has been done by all the real estate gurus out there.

In this chapter, I'll go through the basics of Real Estate Investing, tools and strategies the top real estate investors use to find great bargains and get positive cash flow from their real estate portfolio.

I know what you're thinking.

The gurus can do it because they have all the connections and insider tips to find all the good deals…

While sometimes real estate investors have connections, a majority of them just think outside of the box and deals come to them.

I'll show you in this chapter some of these outside of the box tips to be able to buy real estate at bargain prices!

I'll teach you the basics of calculating positive cash flow and how this skill will lead you to financial freedom so you don't have to work again.

Sounds too good to be true, right?

Read on and find out.

No Money for Down Payment

I can't count the number of people I've talked to who wanted to buy a home but couldn't because they felt that they didn't have a down payment.

However, the interesting thing is that many of these people didn't even go to the bank to find out whether they can get a mortgage and what kind of down payment options there are.

But Gary, I did go to the bank, but they said…

Banks are a great first step but there are a lot of different ways Real Estate Investors get money.

1. Mortgage Brokers – Real Estate Investors love using mortgage brokers because these people have access to several lenders. They are not like the banks where they can only offer you their own bank's products.

Mortgage brokers have access to multiple banks AND credit unions. They also work with other private lenders as well.

Mortgage brokers are also always learning new ways to help their clients obtain financing and so sometimes where banks have their hands tied because of company policy, mortgage brokers can often think of creative ways to help you get the money you need.

Not all mortgage brokers have the same real estate experience and knowledge, so make sure you interview a few before choosing one.

2. Joint Ventures – What do you do when you find a great deal but you don't have the money? There's a saying in real estate, "find the deal and the money will come".

Real Estate Investors are often able to think outside of the box when it comes to this. They find the deal and are able to attract other investors to partner up to close the deal. These are often called "Joint Venture" deals. They partner with another investor to come up with the money to close the deal.

But how do they do that?

Well, there are a lot of ways to attract other investors. Many join local real estate investment groups like REAG (Real Estate Action Group) or REIN (Real Estate Investment Group) or they meet other investors at local Real Estate Meetup Groups.

I've even seen others who found great deals, then advertised them on Craigslist or local forums looking for other partners.

The key is not to look at the problem of "I can't find other investors", but turn the "can't" into a "HOW". If you can just take out the "can'ts" in your thinking and replace them with "HOWS", I'm confident you'll be able to brainstorm many ways to find other investors.

GARY's WOW

— WORDS OF WISDOM —

Often, problems are just opportunities for you to solve them.

This is a key concept that you can apply in most areas of your life. Most people just say "can't" when they come across problems. They've been conditioned that way or they've been thought to think "logically" and it's hard for them to think creatively. Often, problems are just opportunities for you to solve them.

3. Vendor Financing – This is a creative option for many buyers who don't have the down payment to get a mortgage. You basically approach the seller of a home and ask them if they would be your lender.

What does that mean?

Basically, you ask them to give you a mortgage. Let's say the home is $500,000 and the banks want you to have a 5–20% down payment ($25,000–$100,000). You approach the seller, and you ask the seller if they could offer you a mortgage. In many cases, this is a win-win situation for everybody.

How does that benefit me?

First, the seller might not need a down payment or may want a smaller down payment.

Second, you are able to negotiate terms that banks often don't have control over. For example, frequency of payments, extra payments, amortization length, interest rates, etc…

How is that beneficial to the seller?

First, many sellers who sell their home aren't quite sure what to do with all that money. If they put it in the bank, they'll get a measly interest rate, so they'll consider this option if the payment terms work for them (interest rate, amortization length, etc…)

Second, the seller may be willing to sell the home with vendor financing if there are other terms that benefit them. As mentioned above, if the seller can charge a higher rate than what the bank is charging, it may be an attractive, hard to resist offer.

Also, for the seller's inconvenience, the seller may decide to charge a higher price than what they are currently charging because they are accepting a smaller down payment.

Whatever the case, you never know until you ask. Most sellers also aren't aware of this type of financing, so bringing this up opens up the negotiation process.

Why RENT When You Can OWN?

Now you know that there are creative ways out there to obtain a down payment. So, you've gone to the banks, the mortgage brokers and you're not so worried about the down payment.

So, why are you still renting?

You have a rough idea of how much you can buy based on your income. Did you speak with a professional Real Estate Agent?

Your rent payments might not allow you to buy into a luxury high end home, but how about a smaller detached home?

How about a townhome in a nicer area or a duplex or even a centrally located apartment with a view?

But Gary, the bank says I'm only approved for $____________.
With this, I can't afford anything.

Are you sure about that? Do you know what's going on in the market?

Which markets are hot, which are slow, what homes are selling for (not what they're listed for), do you have all that information?

Consult a Real Estate Professional

I often come across people who say that their budget is $200,000 or $300,000 and they think all they can afford is a small apartment in the suburbs. Let me tell you that it's not true.

So you have been checking the MLS daily and you think you know the market inside and out because you see what homes are listed for. Great 1st step, but unfortunately, your research and analysis is very limited.

Top REALTOR®s know the different neighborhoods. They know which areas and properties are buyer's markets, which are seller's markets and which are balanced markets.

They know which areas and properties have great potential for asset appreciation or for rental income.

Most importantly, REALTOR®s know what properties are worth by determining fair market value. Fair market value is what buyers are willing to buy for and what sellers are willing to sell for. This is determined by what properties are selling for and REALTOR®s have this information.

Many of my clients want to live in Vancouver but they think their budget means they can only live in Surrey or Delta. After talking with them, I helped them to see that with their budget, they can still buy in Vancouver. They just have to think outside of the box, make some small sacrifices here and there and it can work.

The fact of the matter is a majority of the people think houses cost $700,000 because of what the media talks about when they say the average Home Price Index (HPI) is this or is that.

AVERAGES ARE GREATLY MISINTERPRETED.
DON'T BELIEVE EVERYTHING THE MEDIA SAYS.

Often they exaggerate facts, over-emphasize irrelevant statistics, like the average price in Canada.

Who in the world cares what the average price of a home in Canada sells for if you just want to live in Burnaby?

When they say that Greater Vancouver is now a Buyer's Market, does that apply to you if you're looking to buy a luxury condo in Coal Harbour? **NO!**

Also, the media is often late. When the market is doing well in a particular neighborhood, I noticed that articles didn't pop up and talk about it until months afterwards.

The media also likes to quote 1 or 2 economists saying that there's a real estate bubble and decide not to quote the hundreds of economists that disagree and then try to stir up the public into thinking that the market is going to crash.

Talk to and listen to a Real Estate Professional, not a Journalist.

Finding the Bargains

So where do the Real Estate Investors get the bargains?

How do they score the killer deals?

Where do you find these great deals?

There are so many different ways to answer this question.

Some investors hear it from the real estate networking groups I talked about earlier in this book. Some investors network with lawyers and bankers that let them know of upcoming divorce, estate sales or foreclosures. Some go to the newspaper looking for great deals. Some go on Craigslist and search there.

The commonality between these options is investors **go out and look for them**. You won't know of the deals unless you go around and search for them. Buried treasure isn't just going to show up unless you go dig for it. Opportunities don't just fall in your lap when you're home watching TV.

The lesson: GO OUT THERE and start digging!

Below is a simple list of 10 places you can find great real estate bargains. This list is not exhaustive by far. There are many other ways to look for great deals but it's a great start.

10 Places You Can Find Great Real Estate Deals

1. Craigslist
2. MLS
3. Real Estate Investment Groups
4. Bankers
5. Local Newspapers
6. Real Estate Agents
7. Mortgage Brokers
8. Divorce/Estate Lawyers
9. Property Managers
10. Contractors/Builders

How do I know if it's a great deal or not?

Well, you need to know what the fair market value is. If you don't, then consult someone who does, such as a REALTOR®.

One key point is that great deals are not always priced at a great price. Let me repeat that, great deals are not always priced right.

What do you mean, Gary?

Well, sellers almost always think their home is worth more than it is. Even if they don't, they'll most likely price their property higher than what it's worth. Very rarely will you see a property INITIALLY priced below market value. Sellers always want to get top dollar for their property.

So, what does that mean for you?

Many great deals come from being able to negotiate a great deal. If you don't negotiate, then you might not get a good deal.

Most sellers will be very resistant to selling below market value, but some are either unaware of what their home is worth or maybe just very motivated to sell, even at a loss.

How do I find these "motivated" sellers?

SUPER SIMPLE!
You MOFO (Make Offers and Find Out).

Key Principle: You'll never know if the seller is motivated or not until you make an offer.

If you've done your analysis and the property is great, shoot them an offer. Make lots of offers. The more you do it, the better you'll get at it. Don't fall in love with the investment property, just make offers and if the price is higher than the threshold you've set, move on. There are tonnes of great deals out there, you just have to go out and find them.

If you don't try, you'll never know. A majority of great deals I've seen are done by those who were brave enough to make offers.

For example, say a property is worth $300,000, but the seller is asking $325,000. If you immediately think, "the property's asking too much, I'm going to move on", then you'll never know if the seller was motivated or not.

Who knows what could happen if you make an offer like $275,000. You and the seller might counter back and forth and you could end up buying the property for $290,000 (below market value).

Obviously, you don't make an offer on every overpriced listing. Do your analysis and due diligence with your REALTOR®. Over time, you'll be able to train your eye to be able to spot great properties and potential great deals.

Positive Cash Flow

WHAT IS POSITIVE CASH FLOW?

In Real Estate Investing, positive cash flow typically refers to when the income you get from your rent is greater than your expenses. We already discussed this in great detail in an earlier chapter, but let's do a little review on basic positive cash flow calculations.

For example, for a $300,000 apartment, your monthly expenses would include:

- Mortgage payment is ~$1425 (3% interest rate, 25 yr amortization, 20% down payment of $60,000)
- Property tax ~$200
- Home Insurance ~$50
- Strata Fee ~$300
- Utility Bills ~$100

The total would be $2075. If you could rent the property out for $1900, you'd be generating $175/mo of negative cash flow. If you rented it out for $2075, you'd be breaking even. If you rented it out for $2500, you'd be generating a positive cash flow amount of $425.

Your goal is to look for income producing properties where the rental rates are high enough to pay for the mortgage plus expenses AND pays you a small amount of positive cash flow every month.

Think about it, you buy an apartment with only $60,000 down and your tenant pays for your mortgage. Not to mention, your apartment in the long run will appreciate in value.

Don't forget that rent goes up over time so you're generating more and more positive cash flow over time.

But let's say for argument sakes that the property doesn't appreciate a single dime after 25 yrs and you didn't increase the rent at all over 25 yrs. Your mortgage is paid off. You own a $300,000 apartment where you only had to pay $60,000. In 25 yrs, your tenant paid $240,000. This is equal to $9600/yr for 25 yrs.

But Gary, I still had to put down the $60,000…

Correct, you put down $60,000. But your positive cash flow of $425/mo, equals to $5100/yr. $5100/$60,000 = 8.5% ROI (Return on Investment) → Way better than the bank's interest rates, don't you think?

The Art of Flipping

Ok, so now you've got the basics for finding the bargains and learning about rental passive income.

What if you find a great property at a great price, but the rental income is not good for generating positive cash flow?

Real Estate Investors will still look at it as a great opportunity… to buy and flip. Like I mentioned earlier, if you make offers often, you'll have a greater chance of buying properties below market value.

In your search for great deals, you'll often come across properties that need some work. You'll come across homes that are a mess and that typically turn away a majority of buyers. Where typical buyers see them as tear downs, a Real Estate Investor sees these as gems.

They know that if the property doesn't show well, they'll be able to negotiate a better price with the seller. Then once they buy the property, they'll hire contractors to begin renovations.

It's important to find honest, trustworthy contractors to partner up with. If you are able to give consistent business to these partners, whenever new deals become available to them, they'll think of you and let you know.

Real estate investors often buy the property including the furniture and junk and either sell the junk or even use them to barter with contractors for renovation work.

Sometimes, sellers are happy to include their furniture and junk with the sale so they don't have to pay someone to move it or get rid of it.

The key to profitably buying, renovating and flipping is to buy the property well below fair market value. It is very difficult to flip for a profit if you buy the property at market value or even a little bit below market value because the market fluctuates.

Buying well below market value provides a safety cushion to ensure you make money even after you pay for renovations, pay a REALTOR® to sell it, pay property transfer tax and legal fees.

Once again, if you don't know how to calculate the numbers, it's best to hire a Real Estate Professional to help you find the deals and analyze the numbers.

CHAPTER 17

The Secrets To Charging Above Market Value Rents That Real Estate Investors Don't Tell You

Would you like to learn the secrets that **advanced** real estate investors use to charge high rents on their investment properties?

How would you feel if you could got \$100–\$200 above what others are charging for rent in the same neighborhood or even in the same condo building?

Do you want to know how the real estate gurus think outside of the box to maximize the rents and have tenants lining up to stay at their place?

As a landlord, don't you want tenants that are super appreciative and desire to be long term tenants?

I'm going to go into some advanced, outside of the box strategies that advanced real estate investors use to charge more for their rent while keeping their tenants extremely happy.

The only prerequisite to the secrets is that you have to be willing to think outside of the box, go against the grain and do things differently than what you normally see done out there.

What do you mean?

When it comes to renting your place out, look at how the other landlords do it. They post on Craigslist, use a very simple post, sometimes without pictures, often with very simple descriptions and it just looks extremely plain and unattractive.

Your investment property as I mentioned before to you is a business. You are to treat it as a business and you are the business owner. As a business owner, put some heart and time into your advertising. Yes, Craigslist is free, but it doesn't mean you should spend 60 seconds on the ad, slap some features on it and click submit.

It's no wonder you get the same type of response every other landlord gets. If you do what everyone else does, you'll get what everyone else gets.

> **GARY's WOW**
>
> — WORDS OF WISDOM —
>
> If you do what everyone else does, you'll get what everyone else gets.

The definition of insanity is doing the same thing over and over again and expecting different results.

In an earlier chapter, I talked about the art of copywriting.

You're not selling a $20 used Ikea coffee table that you bought for $30. You're advertising your investment asset where you're looking to collect hundreds if not thousands of dollars per month for several months or years. Put some heart into it.

Especially if you want to charge above market rents, how are you going to attract your ideal tenant by posting a boring, simple ad?

5 Tips to Make Your Ad Stand Out Among the Others

1. Videography/Photography – This is the same as posting your home on the MLS. Get some professional photography and/or videography done and showcase that on the ad. Don't use your smartphone to shoot the photos or video.

You want to justify your above market value rent with some nice photos. If you can't even convince them through photos and video because they are poorly shot, then you're not going to be able to convince them to come in person to look at your property.

Pay the few hundred dollars and get the professionals to do your videography and photography and then you'll have them to put in your ads that can be used over and over again for the long run. Next time you need to put your ad up, you've already got a copy of the photos and video.

2. Copywriting – We talked about this before, but let me refresh your memory. Copywriting is the ability to write ads that will captivate your target market.

How many times have you seen the rental ads on Craigslist have lacklustre write ups? You remember seeing those ads that have all this missing information, like what amenities there are, how big the space is, the minimum lease period, whether the utilities are included, etc. No wonder nobody calls on them and they're not being rented out.

Number 1, you want to create an ad that touches upon the emotions of your audience. Your ideal tenant is looking for a place for a reason. There's a need that they need to fulfill and there's probably lots of emotions going on.

If you can connect with your tenant on an emotional level through the write up of your ad, you've got your reader's attention.

Number 2, along with speaking to the emotions of your audience, paint a picture of what your property looks like. Help them to visualize how amazing it would be to live at your property. Share about the added benefits that your property provides that others do not.

Does your property have an amazing view? Does it have a great space for entertaining? Paint a picture for the reader of your ad, helping them to visualize themselves inviting guests and the response of their guests when they see the beautiful place.

If you're targeting young families, share about the numerous child care facilities, community centers and parks nearby, perfect for playing with the young kids and the convenience it will bring to your potential tenants.

After you write your ad up incorporating these concepts, have a friend read it and then ask them after they've read it about how they felt or whether they could visualize anything while reading it. That feedback will be very valuable and will help you to determine whether you have a great ad or just a normal ad.

3. Website – A great way to set up your investment property business is by setting up a website. On this website you can upload pictures, videos, floorplans, more information and even some of your other investment properties that tenants can view.

Maybe your tenant isn't particularly interested in your rental property in Burnaby but knows a friend who may be interested in your rental property in Vancouver. This is a great way to have more tenants contact you.

The website also allows you to showcase a little bit about yourself.

What kind of landlord are you?

What guidelines or rules do you have?

How do you add value to your tenants?

One of the biggest fears for tenants is having a landlord who treats them horribly. Try providing some tenant testimonials and some services you offer that differentiate yourself from the typical landlord.

Maybe you can add articles from the Residential Tenancy branch office, some contact information or value added tips for tenants. If you drive a lot of tenants to the website, you are going to be positioning yourself as the landlord that other tenants want to rent from.

4. Floor Plan – I see floor plans provided on MLS listings but I rarely see floor plans listed on properties for rent. Why is that? As a tenant, wouldn't you be interested in seeing the layout of a particular property before deciding to go and visit the place?

This value added service doesn't cost very much as well, about $0.10/sq ft, and you can have a local measuring company to have it done fairly quickly. They'll also provide you with a professionally drafted floor plan that is very professional looking.

Just like the photography and videography, you only need to do it once and then you can reuse the floor plan for whenever you need to advertise your property again.

5. Added Value Benefits – Are you providing additional benefits or services to your tenants?

Are you including part of the utilities in the rent or are you providing free house cleaning for them once every quarter?

How about a discount if they pay rent early?

Think outside of the box and you'll discover that there are numerous things you can do to bring a smile to your tenant's face. Often times, they are just the smallest, most inexpensive things, like writing them a birthday card on their birthday or giving their child a birthday gift every year.

You might not want to include all the added benefits in your ad so you can incorporate the surprise element, but you may want to include some simple benefits on your ad such as the following:

"Landlord will replace appliances with new ones every 5 years" or

"Landlord will provide professional carpet cleaning once a year" or

"Landlord will provide bonuses for early payment of rent or prepayment of rent or longer term leases".

The main key in being able to charge above market value rents is to add value to your tenants. If you add enough value to your tenants and they can see it, they'll pay the premium, sign the extended term leases and pay the rent on time.

Here are some strategies top real estate investors use to add value to their tenants and charge above market rents.

STRATEGY #1: INCLUDE UTILITIES IN RENT

Landlords think their tenants leave the stove on all night long, crank the heat up in the summer and use the washer and dryer daily.

beep beep beep* NEWS FLASH! *beep beep beep

Tenants don't do that, and if your tenants do, you picked the wrong tenants and you've got other problems on your plate.

Including the utilities in the rent provides the convenience to your tenants in many ways. One, they don't need to set up their own hydro and gas accounts when they move in. Some landlords keep the hydro and gas under their name and then show the tenants the bill every month and ask tenants to pay a portion of it.

Second, tenants don't need to worry about how much gas or electricity they're going to use.

Have you heard of all-you-can-eat sushi?

Or unlimited calling for cell phone plans?

The purpose is to give you the perceived benefit that no matter how much you eat or how much you talk on your cell phone, you're going to just pay 1 fee.

This is ***INCREDIBLY*** relieving to cost-conscious people. What you do is you just calculate how much gas or hydro your tenants will use on a worst case scenario. Let's say it's $300/month. Then instead of charging your tenants $1500/month + utilities, charge them $1850/month and include the utilities.

You're making $50/month even on a worst case scenario and your tenants are not going to be using $300/month in utilities every single month.

That way, tenants don't have to feel like they have to turn down the heat when it's cold in order to save on the hydro or gas bill. It provides convenience and comfort to your tenants who will then feel much more comfortable staying at your rental property.

Let me take it one step further. Why don't you include internet and TV into the monthly rent as well?

How much does internet or cable TV cost?

It may cost you $50 to $100 at most for basic cable and basic high speed internet. Why don't you charge $2000/month and say that includes all utilities, cable TV and high speed internet?

Imagine how it looks to a potential tenant. They don't have to set up their own cable TV or internet. They just move in and everything's all set up for them.

In business, they call this bundling. Sure, other properties are renting for $1500 and they aren't providing anything. You are charging $2000/month which is a lot more but you're including unlimited use of utilities, cable TV and high speed internet. Basically, tenants don't have to lift a finger.

Don't forget, this is in addition to the other added benefits you'll provide for your tenants such as yearly birthday cards, baking cookies for them twice a year or whatever you feel would make your tenants smile.

Is it a great deal for the landlord? Sure it is. The gas, hydro, cable TV and internet will all be under your name. You're making $50–$100 on the gas and hydro because you know that tenants **ARE NOT** going to be leaving their stove on 24/7. You're making $50–$100 on the cable TV and high speed internet portion as well.

This is what we call a **WIN-WIN** scenario.

Like I mentioned, feel free to incorporate other bundling services too. As I mentioned earlier about value added services, you can think about offering the following:

- Dry cleaning or maid cleaning services
- Discount on rent if they pay earlier (late fees on rent paid late)
- Discount on longer than 1 year term leases
- Free birthday meal house cleaning by a professional maid
- 1 or 2 pay per view movies per quarter
- Designated contractor hotline to handle all repairs (you can make a deal with the contractor offering him the exclusive rights to handle the repairs and see if you can get a significantly discounted rate)

The list can be endless. Think of ways to create value for your valued tenants. At the end of the day, your rental property is your business and your tenants are your clients and you should offer them VIP customer service, especially if you expect to charge higher than market value rents.

If you want people to pay high rent for your place, then renovate your home and renovate it well. People will pay a premium to live in luxury. Look at the Hilton, Shangri-la, Trump, Sheraton and Four Seasons.

Do you think they charge a premium just because they have a brand name? It's based on quality too! Use high end flooring like hardwood or bamboo instead of laminate, do granite or slate counters, use marble or expensive tile in the washrooms.

Yes, it's more expensive, but it's more durable too. Pay the premium but use your brain as well, don't buy the most expensive hardwood or import your marble from Sicily. Use high quality, but use your common sense.

But I don't want to use high end finishing;
tenants will just trash the place

Back to the same question, what kind of tenants are you choosing? Do you think the Shangri-la or Four Seasons has that problem?

NO!

Why is that?

Because the people who can afford to stay in those hotels aren't typically the people that trash hotel rooms.

Which brings me to a critical point – charging higher rent will bring better tenants. We also discussed earlier about filtering out your tenants. Be very, very strict when it comes to accepting tenants. Don't just choose anyone who can afford to pay the rent. Do your due diligence and background checks.

Ok, to end off this section, what do hotels have that rooms for rent typically don't have?

Hotels are furnished. How do you add value to your basement suite for rent? Read on…

Again, furnish it tastefully, without spending a fortune on $10,000 couches and $5000 beds. Yes, not every tenant will want your furnishings; some will pay the higher rent but want to use their own furnishings.

In that case, just put it in storage. There are cheap storage places for about $50 - $100/mo.

Also, remember that when you consider furnishing your suite, think about what kind of tenant you are looking for. Are you trying to rent out to business executives or students? Or are you trying to rent out to families with furniture already?

You'll need to furnish your rental property based on who you plan to rent out to. The style of furniture business executives care about is different from the furniture students would want, and the same goes for families.

Lastly, it's good to furnish your rental property and stage it so that when you show your suite to prospective tenants, they don't just see an empty space.

Remember we talked about emotions and visualization earlier?

Help your tenants visualize what their home could look like. This is the reason why developers of new homes stage their homes to prospective buyers. It not only looks better, but it helps buyers visualize themselves owning the home.

You're not selling your home, but if you want to charge higher rent, why wouldn't you make it look as nice as it possibly could when showing it to potential tenants?

STRATEGY #4: OFFER FLEXIBLE LEASE OPTIONS

Most people just do the 1 year lease. If you want to charge more, you can't be like everyone else. Offer 3 month or 6 month leases and because you're adding the flexibility, it's added value for the tenant and so it's justified if you charge more.

If you're looking at flipping the house after the market increases after a few years, you can also try offering a **"lease with the option to own"**. This is a key strategy that many advanced real estate investors use.

When you lease a car from the dealership, you sometimes put a down payment and then pay a monthly lease fee and at the end of your 2 to 5 yr lease, you have the option to purchase the car at a pre-agreed price that's set at the time of signing.

Well, who says you can't do this in Real Estate?

Sample Case

The tenant doesn't have to be renting the whole home. They could just be renting the 2 bedroom suite. Let's just say, you live upstairs with 4 bedrooms and your tenants rent the basement 2 bedroom suite.

Market rent for that 2 bedroom suite is $2500/mo and your house is worth $700,000. Your monthly mortgage payment is about $2700.

You implement the first 3 tips above, renovate, include utilities and furnish it and rent the 2 bedroom suite for $3500/mo.

Your offer to the tenant is $4000/mo with a 2 year fixed lease (penalty for early cancellation) or month to month (your choice) with the option to buy at $750,000. The month to month option is more attractive to clients as it doesn't lock them to a contract.

Your house, if appreciating 7%/yr would be worth $800,000 in 2 years.

Sounds complicated Gary, how is it beneficial to me?

It's beneficial for both parties (landlord and tenant) if you understand the numbers and logic behind it.

1. Because it's well renovated, your tenant might even solicit you to buy the property which would be a perfect opportunity to implement this strategy.
2. It's beneficial for tenants because you're setting the price of what they **CAN** purchase the house for before the lease ends meaning if the house goes up in value, they're going to be buying it at a deal. Can't say the same thing for cars as they depreciate like crazy the moment they leave the car dealership.
3. $4000/mo is a little higher than the $3500/mo but **THE OPTION** is what attracts the tenant. Everyone knows house prices consistently shoot upwards, especially in Vancouver. The tenant basically can rent with no formal contract to buy the house, can leave anytime during the 2 year lease with a penalty, and at the end of 2 yrs decide to buy it at a deal if the market is hot.
4. If the market is bad, the tenant doesn't buy and you renegotiate the lease. But, at least you got to live mortgage free AND got paid $31,200 in profit to live upstairs in those 2 years. ($4000 – $2700 = $1300/mo profit × 24 months = $31,200)
5. Most tenants like to rent because they can't afford to buy and so if the tenants don't exercise that option, you get the profit AND you get to keep the house.
6. If the tenant exercises that option because the market is hot after 2 yrs, you pocketed $31,200 in profit, got to live for free for 2 yrs, and you get the option of looking for your next home to do the same thing.

STRATEGY #5: TAILOR ADVERTISING TO PREMIUM TENANTS

Most landlords just advertise in the Vancouver Sun or Craigslist. They write a very simple and cookie cutter ad that they probably got off a template on the internet.

If you want those premium tenants to respond to your ad, then you better write a personalized ad that specifically targets the people you're looking for.

We discussed about copywriting, professional videography and photography earlier but here I'm going to emphasize where and how to advertise specifically to your target market. Obviously, you'll be advertising on Craigslist, but that's just the bare minimum. That's what every landlord does. If you want different results, then you need to do things differently.

Well, who are your ideal tenants? If your ideal tenants are business executives, don't you think you should be advertising in the downtown district or on business magazines or local business websites? When you are advertising to business executives, they are often constantly travelling and they are looking for furnished properties that they can just stay for short periods of time.

Therefore, emphasize that there are short term, flexible lease options available in your ad. Put pictures of how the place will be furnished and emphasize what other benefits you can offer that are valuable to them. Maybe you can offer a complimentary dry cleaning and ironing of one of their suits if they stay at your property.

If you're looking for doctors or health professionals, take pictures or emphasize how spotless your place is and how convenient it is to transit to the hospital. Also, try placing ads in a hospital bulletin board or cafes near the hospital where health professionals frequent.

If you're looking for students, place ads in common student building bulletin boards, cafeterias, university bus stop poles or benches. Emphasize how close the nearest bus stops are and how it is furnished so they don't have to go through the hassle of buying furniture.

Flexible lease options are great for students who just want to rent for the semester and then move back home with their parents.

STRATEGY #6: IT PAYS TO HOMESTAY

If you're living in a large house and you're looking to rent out some rooms in your house and want to charge above market rents, you can also consider implementing a homestay program.

This is where you rent a room to a student who will be studying in Vancouver, likely an international student and the purpose for them to stay at your place is they get to converse with an English speaking family and practice their English, and also have all their meals prepared for them.

Students will also want to spend time with their homestay families on some outing events and they'll want to experience traditional holidays with their homestay family, such as Christmas, Thanksgiving or Easter.

You can often charge upwards of $800–$1000 per room per student and so if you have 3 rooms and you have 3 homestay students living there, you can charge up to $3000/month.

However, the key to this program is to add value to the students. Don't feed your students fast food, Kraft dinner or try to save on the groceries. If you treat your home stay students poorly, you're going to ruin your reputation as a high quality homestay family.

Be reasonable with the rules and guidelines for your homestay students. Having worked with international students before, I have heard horror stories of homestay families, limiting the use of showers to certain times of the day, limiting the use of the washer and dryer to certain times of the day, setting unreasonable curfew times, etc…

Word of mouth travels fast in the local international student community especially now there are so many internet forums. Treat your homestay students well. They are also your clients and your job is to serve them well since they are paying you well.

In addition, homestay income is considered as a business. See this link from the Canadian Revenue Agency (CRA): www.cra-arc.gc.ca/E/pub/tg/t4036/t4036-e.html#P195_12960

Since it's a business, make sure you claim all your relevant expenses: utilities, groceries, gas, mortgage, whatever expenses you use for your homestay students, etc… Make sure you check with your accountant for more details.

Ultimately, you too can think outside the box as professional real estate investors do and earn a great living in the real estate game.

It's all about creative financing. There are other ways out there to get positive cash flow from properties, some are illegal (unauthorized suites) and some are not. Remember to consult with your accountant and your REALTOR® to discuss some of the options available.

Your REALTOR® should also be able to tell you what homes in a particular neighborhood can rent for and what kind of renovations you should do that would allow you to charge the most rent. Chances are your REALTOR® has connections with contractors and builders who can help you with the renovations and get you a better rate too.

This book does not contain all the options out there but it is a stepping stone to learning more of the ways that the Real Estate Rich think and act.

CHAPTER 18

The Untapped Gold Mine – How Top Investors Choose, Buy And Flip Select Real Estate To Make A Killing

In this section, we are going to put on our real estate investor hat and look at real estate in Vancouver in that perspective.

Often what scares away buyers is what attracts real estate investors.

Be fearful when others are greedy and greedy when others are fearful.

— WARREN BUFFET

I often work with buyers who are afraid of the following homes but I, along with other advanced real estate investors actually see a lot of potential in them.

Do you want to know what these homes are?

1. Grow Ops – This is probably the most common type of home that buyers avoid. I'm referring to homes that used to be a grow op and that they have been remediated and approved by the city that it's safe to live in.

Often these properties will sell at below market value because of many reasons:

- Buyers are afraid of the remnant chemicals that might remain from the grow op operation if it was recently remediated
- Buyers are afraid that they would receive unwanted visitors looking for drugs or money
- Buyers are worried that since it's a stigmatized property, it will be very difficult to sell later on

However, builders and real estate investors look at these properties as great opportunities. Builders see the opportunity that they may be able to buy a perfectly livable home that they can buy at land value or close to land value.

The rent they collect from the property can help pay for the interest only mortgage payments until the land appreciates in value and then they can tear down the house, build a new home and sell.

Investors will try to buy for the same reason or they may buy the property for a bargain and renovate it a little bit and flip the property. Or they may just wait for the house to appreciate in value and sell the land to another builder.

2. Foreclosures – Many foreclosures or court ordered sales come about because they were discovered as grow ops. However, many others are not due to illegal drug activity. Sometimes, sellers just can't make the mortgage payments because of a job loss or a business failure.

These are actually great opportunities because investors can go in and speak to the sellers and try to negotiate creative terms that may help the seller in exchange for a better price.

For example: Investors may offer a short completion so the seller gets the money faster but offer a 6 month **lease back** to the seller.

A lease back means that the seller is able to lease the home for a period of time from the buyer after the buyer has paid and transferred title to their name. The lease can be negotiated from a few months to a year or more.

This is great for investors because the former owner is paying for the investor's mortgage and maybe after a year, they will be able to flip the home and make a profit. It's great for the former owner because they got paid the full amount for their home and now they have a place to rent while they can take their time to search for a home to move into.

Sometimes, if the investor can get a really great price, they might even offer the former owner a lease back for a set number of months for free. It's all about thinking out of the box and negotiating creative terms.

3. T-junction homes – We talked about these homes in an earlier chapter about stigmatized problems. The problem with these properties is that not only are they stigmatized in the Feng Shui aspect, they often have an asking price reflecting as if the property wasn't stigmatized.

So, they sit on the market for a while but that's when smart real estate investors jump in. They make offers on these overpriced, stigmatized properties because they know the home is likely not getting much action.

Many buyers are afraid of these homes because of the Feng Shui aspect where they think it's bad luck if they live in one of these. Many others stay away from these homes, regardless of whether they believe in Feng Shui or not because they believe that it'll be difficult to sell in the future.

That is true and false. True, because it will be difficult to sell the home at market value in the future. False, because it is not difficult to sell if they price the home at what it is worth in the future – below market value.

Most often than not, if you are buying a stigmatized home at a discount, you will sell the stigmatized home at a discount. Likewise, if you buy a premium home on a premium piece of land, you will sell the property at a premium in the future.

Builders will still try to buy these homes too at the same time, because they know the scarcity of land and though these homes are stigmatized and will turn away many buyers, they know the market consists of some savvy real estate investors and buyers who will see the untapped gold mine and buy these properties.

GARY's WOW

— WORDS OF WISDOM —

If you buy at a discount, you will sell at a discount.

4. Homes with Latent Value – We briefly touched upon these in an earlier chapter. These are homes that have a high potential to be worth a lot more than market value because of the surrounding environment. These homes are located on land that is not being utilized to its highest and best use.

For example, if your home is located on a large piece of land and there are commercial developments coming up all around you, developers will want to purchase your land because there is latent value in the property you own.

Because of the commercial developments, there will be an increase in population in the area and thus, developers will want to build housing with increased densification and the city will likely rezone the land from single family to multi-family because of community changes.

All of a sudden your home is not worth just one or two million. Through land development, your home can be developed into a townhouse community or multiple low and high rise condo buildings and your land is worth millions to a developer.

Other examples of homes with latent value are homes located on land on the corner of major arterial intersections as those are ideal places for low or high rise condos to be built.

Savvy real estate investors or developers are able to accurately anticipate and forecast upcoming changes in the city and see which areas are going to have large community changes.

Then they go and scout properties located on land with latent value and will try to snap up these properties at current market value prices, hoping the sellers don't see the latent value that the investors and developers see.

Thus, they are able to buy the land at what they see as significant discounts because they know the value of the land will go up significantly in months and years to come.

5. Buying Leasehold Properties – Leasehold properties are properties that a majority of the public aren't really aware of and do not truly understand.

Leasehold properties are properties located on leasehold land. Leasehold land is land that is owned by the city, First Nations bands, federal government, universities and even private institutions or individuals. This land is then leased to developers for a period of 50 to 99 years to develop residential housing.

Unlike traditional housing that's labelled as "Freehold" where if you buy the house, you own the land on which it sits on, for leasehold properties, you only own the structure but rent the land for a number of years.

So you can often buy a house located on leasehold land for significantly cheaper than the same house on freehold land. You would own the house for the remainder of the lease and at the end of the lease, the owner of the land would decide whether they want to renew the lease or reclaim the land.

If they reclaim the land, they would reimburse the current owner the value of the improvements made on the land at that time. Usually it's not that much as the house situated on the land will not be worth that much at the end of a 99 year lease.

There are 2 types of leasehold land. Leasehold prepaid and leasehold non-prepaid.

Leasehold prepaid means the developer has prepaid a sum to the owner of the land already and incorporated that into the price of the property.

Leasehold non-prepaid means you have to pay an annual fixed sum to the owner of the land which is assessed periodically. That means the owner of the land can increase this annual fee from time to time which has happened to some unfortunate homeowners in the False Creek area.

Buyers also don't like leasehold properties because lenders are often more stringent when it comes to lending on these properties. Lenders often require a 25–30 percent down payment on these homes and will often look at the lease's expiry date to determine what amortization buyers will be given, usually 5 years less than the remaining lease.

For example if there is only 25 years left on the lease, lenders will give you a 20 year amortization on your mortgage.

There are many apartments as well in the Fairview area in Vancouver where the lease is expiring in about 20 – 30 years and they are selling for below market value. Obviously, those properties are only targeting a very specific group of buyers. Most buyers don't want to be spending hundreds of thousands of dollars just to live in the home for 20–30 years.

However, many buyers such as seniors may consider these properties as they want to retire in a nice property and know they won't live for another 30 years. Others, such as students may want to buy one of these because they are only planning to live here to attend school for the next 5 to 10 years and they don't want to rent for 5 to 10 years.

So, here's where I will show you how savvy investors make money using this untapped gold mine. What I've noticed in UBC and SFU is that there are apartments and townhouses that are leasehold properties.

These are built by developers who have leased the land from the university for 99 years. The apartments and townhouses are brand new and savvy investors have been buying these properties because they foresaw that the cost of housing and real estate was going up. So, leasehold townhouses in UBC that were bought for $400,000 in 2006 are now selling for $1,200,000.

Sure, they are still leasehold properties, but there is still 90 years left on the lease. Investors had been buying these homes for their children to study at the universities but weren't interested in owning the properties long term. They knew their children would return to their home country after schooling, so these were ideal investments for them.

Also, investors foresaw the real estate market increasing and the increased housing demand and many knew that the cost of a townhouse 10 years later wasn't going to be the same price as what they bought it at.

Moreover, savvy investors haven't been buying these simply for the asset appreciation. Many have been buying because they are able to buy brand new apartments and townhouses in a prime area for discounted prices because they are leasehold properties. They also know that rental rates and tenant demand does not get influenced by whether the property is a leasehold or freehold.

Therefore, these investors are able to buy leasehold properties at a discount but charge the same rents as if the property was a freehold property and they can achieve positive cash flow in many instances.

Leaseholds aren't the investment vehicle for everyone but these are definitely an untapped gold mine for some advanced, savvy investors.

CHAPTER 19

Finally, A Way You Can Use Real Estate Trends To Make Money

Why is it important to learn about real estate trends?

How can you use these trends to forecast where to invest your money?

In this chapter, we will take what we learned about real estate trends and doing research on your city hall website, discovering properties that have latent value and use this information and knowledge to discover how and when to start investing.

When it comes to real estate market trends, you want to see whether the market has too much inventory or too little inventory. Which areas are buyer's markets? Which areas are seller's markets?

If certain areas in Vancouver are lacking supply, then you know buyers will be migrating to other nearby neighborhoods that are centrally located, convenient and have more supply. Not all buyers want to be part of the bidding wars in the most popular seller's markets.

Next, look at the city hall website and see what community plans are going on in those neighborhoods.

Are there developments currently in progress in those areas?

Are there a number of development permits waiting to be approved in that area?

If the answer is yes to both, then you know the population will increase in that area, otherwise developers aren't going to be spending millions of dollars to build in that area.

If the answer is no to both, but the city has discussed about community changes in its community plans and increasing the housing in that area, then you may have found an untapped gold mine.

Does the city hall community plans talk about future developmental changes with transportation infrastructure support in an area that doesn't currently have much development going on?

These areas are where you may want to focus your efforts on.

Look at homes that are on major arterial roads or intersections. Do you see some smaller commercial complexes with mom and pop shops and restaurants that are quiet and don't seem to be generating that much traffic and business?

These business owners may be motivated to sell their shops. They may be the target for developers who want to buy up that land because that land is not being utilized at its highest and best use.

When you drive around those areas, open your eyes and put on your developer/investor glasses. You'll be surprised when you do that because you'll start to notice all these properties that aren't really busy and are taking up space that could be used for low rise or high rise multi-family developments.

While driving, look and see if you can spot some big businesses starting up in those areas, like Starbucks, Best Buy, Superstore, McDonalds, etc… When you see these big companies open shop in the area, then you know something must be going on in the area. These companies have obviously done the research otherwise they wouldn't be spending millions of dollars to open shop in the area.

It doesn't mean you don't have to do your own research but it means that these shops are indicators that your research is on the right track.

On the municipality city hall website, there will be a geographic information systems (GIS) map where you can see what the zoning is. Are the residential areas currently zoned for single family or multi-family? If there's a lot of development going on and the areas are currently single family zoned, then you may be able to buy those properties at great prices.

If they have already been multi-family zoned, then there's a chance that homeowners know that their homes are worth more than market value because of the potential future development.

After you have done this kind of research over a period of weeks or months, you will be able to start seeing deals and though great deals can be found on the MLS, many deals are found by just approaching business owners, homeowners, and just prospecting on your own. Don't be afraid to go at it in an unconventional way.

Now that you're starting to think like an investor or developer and are looking around, you'll start to discover many opportunities that you've overlooked for years. Often you'll overlook the opportunity until it has been snatched up by a developer and you'll say to yourself,

"Oh, I knew that was going to happen…" You'll repeat that phrase a few times and then hopefully you'll learn your lesson and start acting on those opportunities that you spot.

Don't worry about the financing and not having the money to fund the investment. In real estate investing, if you find the deal, the investors will come. I mentioned many great real estate investing groups and clubs to be a part of. Network and talk to members there and if you've truly discovered a gem, they'll be more than motivated to want to partner with you.

The questions and tips above only act as some tools to go by and for sure you can do a lot of this research on your own and you should, but make sure you talk with other real estate investors and ask for their advice and feedback as well.

You'll encounter some naysayers who don't see what you see, but you'll also encounter some real estate investors who see the opportunity and will be willing to help you and even partner with you.

So, what are you waiting for?

CHAPTER 20

Discover the Indicators Used by Investors to Buy and Subdivide Land and Make Millions

Are you spending just too much time analyzing real estate investment properties?

Isn't it just too time consuming?

Don't you wish there was an easier way to pick out the ones that make money?

If you're like most real estate investors, you feel that you have to look through hundreds of properties and spend hours of your time analyzing each one, but it doesn't have to be like that.

In this chapter, I'm going to share with you the indicators that top investors use to scan through multiple properties and just filter the profitable ones from the unprofitable ones?

Before going forward, I want to clarify. You do need to look at lots of properties but the key here is to scan through each of them very quickly and not analyze every single one in great detail.

You want to train your eye to be able to filter out the gold from the dirt.

The way you filter out the gold depends on what kind of investment property you are looking for.

The first one we are going to talk about is land subdivision.

1. Land Subdivision – This is where investors buy a piece of land, subdivide it and develop multiple properties on there.

A common example would be buying a 100' × 122' lot and subdividing it into 3 properties – 33' × 122', 33' × 122' and a 34' × 122'. Sometimes, the lot is just land or sometimes the lot will have a house on there. If there is a house, then part of the development process of course is to tear down that house.

When I first learned of this concept, I probably thought like you did,

How do you find these properties?

There are actually several sub-dividable lots all over the city. You just have to have the eyes to spot them. Once you spot them and qualify them to see whether they are actually profitable, then you've got a great deal on hand that you can proceed to the subdivision process yourself or pitch the deal to investors for a profit.

Here are ***4 EASY TIPS*** to help you to identify, qualify and profit from these:

TIP #1 – CAN IT BE SUBDIVIDED?

You will need to apply to the city for the permit to subdivide land. However, it has to make sense to the city to subdivide the land.

In the earlier example of the 100' × 122' lot, if that lot was on a street where all the other homes were on 100' × 122' lots, then it doesn't make sense for the city to approve your subdivision of 3 smaller lots on a street where all the homes are on large lots. It would make the street look very awkward and probably upset the neighbors.

On the other hand, if the whole street was lined with homes that were 33' × 122' and the 100' × 122' lot was in the middle of the street, it would make sense for the city to approve a subdivision application. It would make the street look uniform and pleasing to look at.

TIP #2 – IS IT PROFITABLE TO SUBDIVIDE?

After you have determined whether the lot can be subdivided or not, you have to find out whether it is profitable to subdivide.

What's located on that large lot or even multiple lots? Instead of one 100' × 122' lot, there may be two 50' × 122' lots that you could subdivide into the 3 smaller lots.

Let's say you find two 50' × 122' lots and the city says you can subdivide it into 3 smaller lots (33' × 122', 33' × 122' and a 34' × 122').

How would you know if the property is a good buy or not?

Well, let's do some simple math. Let's assume each 33' × 122' lot is worth $1,300,000, so 3 of those lots would be worth about $3,900,000. If the 50' × 122' lots are each selling for $1,500,000, then the investment total would be $3,000,000.

Spend $3,000,000 and pay a few thousand dollars for the subdivision fees and you have $3,900,000 in land – I think that's a pretty good deal.

However, what if the homes on the 50' × 122' lots were newer homes and they were selling for $2,500,000? Then, buying the lots would cost $5,000,000 whereas the land would only be worth $3,900,000 after subdivision.

What if I tear down those 2 houses, and build 3 houses, would I be making money?

Let's say the construction of a new home on a 33' × 122' lot would cost about $500,000 and brand new 33' × 122' lot homes would sell for $2,200,000. Let's use this table to illustrate whether it's a profitable investment or not.

	Revenue	**Expenses**
Initial Investment		$5,000,000
Cost to Build 3 New Homes		$1,500,000
Sale of 3 New Homes	$6,600,000	
Total	**$6,600,000**	**$6,500,000**

As you can see, you would make a profit of $100,000 if that was the case. Is that profitable?

Yes, it is profitable.

Is it worth it for the typical investor?

No. Why?

Would you spend $10 to make $0.01?

Probably not, right?

It's profitable, but the question remains. Is it worth it?

This is where we incorporate the ROI concept discussed in the earlier chapters. What is the ROI in this example?

Remember ROI = Income/ Investment

$100,000/$6,600,000 = 0.015 or 1.5%

Investors would likely decline this "opportunity". Investors usually want a minimum of a 20% ROI on large investments such as these in case there are some unexpected expenses that come up that would increase their expenses or reduce their profit.

Ok, Gary, so where can I find these lots?

TIP #3 – CITY HALL'S GIS

There are several of these lots all over the city and several of them are not for sale. Many homeowners don't even know that their large lots could be sub-dividable or that their home, if bought with the homes next to them, have the potential to be subdivided.

The easiest place to look is by picking an area to focus on. As you can see from the calculations above, you need to know how much land is worth in a particular area. Investors don't often try to know every single area of Vancouver. They try to specialize and focus on one particular area so that when a great deal shows up, they are able to pull the trigger right away.

Once you have found your area of focus, go to the city hall's global information systems (GIS) map and look at the lots on the streets. You'll find that most homes are located uniformly on the streets. On occasion, you'll spot a home or two that don't fit the mould.

For example, a larger lot on a street of smaller lots, maybe the street is full of 50' × 122' lots and then you see a 90' × 122' lot. This may be a potential subdivision opportunity for two 45' × 122' lots.

Or maybe you see a street full of 33' × 122' lots and then you see two 45' × 122' lots that could be bought together and split into three 30' × 122' lots.

After you pick out these abnormalities, try to search with your REALTOR® or on the MLS to see if any of these homes on the lots are for sale. For sure, you'll need to own all of the lots needed in order to subdivide.

In the one lot sub-dividable into two or more lots, you only need that one lot to be for sale. In the subdivision opportunity where you need multiple lots, you'll need to make sure you can buy all of the lots needed.

For the one lot sub-dividable into two or more lots, sometimes the homeowner or REALTOR® is unaware that the property can be subdivided and this is where you have the advantage because you can see the latent value (the property not being utilized to its best use) and can buy the property at a good price.

For the subdivision opportunities that require you to buy multiple properties, it's a little harder.

On some occasions, the properties needed are all available for sale, but in those cases the REALTOR®s or homeowners are likely aware of the subdivision potential and will incorporate a premium on the price.

On other occasions, you may need to purchase property A and B for the subdivision opportunity to occur but only property A is for sale. In this case, you may try to talk with the homeowner of property B and see if they would do a private deal with you or make an offer on property A subject to you being able to buy property B.

Unless you've been doing these kinds of investments for a while, I'd recommend working with a professional REALTOR® to help you craft up these deals.

I helped one of my builder clients find an opportunity where there were two 49.5' × 117' lots next to each other. It was obvious that they could be subdivided into three 33' × 117' lots. I checked with the Vancouver city hall and wrote up offers for both properties.

However, we were in the midst of a bidding war and the key to buying these investment properties was to ensure that my client was able to buy both of them at the same time. It would be no use to him if he was able to buy one but lose the other one to another buyer.

So, I wrote up the offers for both properties with subject clauses that stated that the offer was subject to my client being able to buy the other property too at the same time.

With some strong negotiations and communication with the listing agents, I was able to get the listing agents to convince the sellers to choose our offer over the other ones and I won the bidding war for my client.

TIP #4 – HOW TO PROFIT?

There are a few different ways you can profit from these subdivision opportunities.

Subdivide, Build and Sell – Earlier, we talked about buying the lot(s), subdividing them and building brand new homes and selling them. This is a process that will take about a year or two, depending on how long it takes to get the building permits, construct the homes and then to sell the homes.

Subdivide and Hold – Sometimes, you find land that is great to subdivide but you think the market is kind of slow so you decide to subdivide it and just hold on to the land until the market improves before you begin to construct.

Hold and Subdivide – Sometimes, you are able to acquire a large piece of land where it's not necessarily clear like the earlier examples of how to subdivide. Maybe you've acquired a large piece of city land and you want to take some time to discuss with the city planners to see what that lot will be subdivided into. So, holding on to the piece of land and waiting is a great strategy.

Buy and Flip Anytime – In the earlier two ways of "subdivide and hold" or "hold and subdivide", I didn't mention how to make money because you can make money at any time during that process. Land that is subdivided will be worth more than land that is not subdivided. The further you are into the process, the more money you will typically make.

Many people don't even get to the point where they own the land before making a profit. They see the deal, acquire it under a contract and sell the contract to a builder, developer or investor at a small premium to make a quick profit.

For example, an investor may make an offer on a sub-dividable lot for $3,500,000 where it is worth $4,000,000 after subdivision. Once the investor gets an accepted offer, he would try to sell the contract over to another investor or builder for maybe $3,800,000 to make a quick $300,000 profit.

These situations occur more often than you think.

The benefit of this kind of flipping is that they need only a small amount of money, maybe for the deposit, to make a large amount of money.

If you think even more creatively, you can even use other people's money (OPM) to provide the deposit. You can borrow the deposit from your line of credit or borrow from a bunch of friends at a high interest rate in exchange that you would pay them back in a short period of time.

The key is that you acquired a property that can be subdivided and because you hold the chips and the assets, now you can either pitch it to developers or investors or sit back and wait for developers or investors to come to you.

CHAPTER 21

Land Assembly Myths and The Mistakes You Do Not Want to Make

Land assembly is the opposite of subdivision. Subdivision is where investors take 1 or more properties and divide them into smaller lots. But in land assembly, investors acquire multiple small properties, package them together to sell them to developers who will then build multi-family or commercial developments on the accumulated land.

This topic actually speaks to homeowners and investors alike.

As a homeowner, you've probably seen multiple homes on large arterial roads such as Oak St, Granville St or Cambie St that have congregated together, put a "For Sale" sign up and tried to pitch to developers or investors at premium prices.

Is your home also on an arterial road?

Are you thinking about talking to the neighbors about listing your homes together?

WAIT! Don't be too hasty. There are a number of things to be careful about when taking this approach. Here are a few myths that most people fall into believing.

Myth #1: If I Get a Land Assembly Together, It Will Sell

So you gather a bunch of your neighbors and you've got 4 or 5 homes together. This does not mean that it's going to sell.

What do you mean? Why?

Myth #2: My Land Will Be Rezoned

Your home is currently zoned for residential single family. Just because you gather your neighbors together and list it on MLS, doesn't mean the municipality city hall will rezone that area to multi-family residential or commercial.

That's why I mentioned in an earlier chapter about reading the city hall's community plans and to see what kind of potential rezoning changes they plan to implement.

Will it eventually be rezoned?

Yes, maybe… after 20 years. Who knows what the future will hold.

Don't just assume that if you gather a bunch of homes together and pitch it for sale, the city will rezone that area.

Myth #3: If I Recruit My Neighbors, It'll Be an Easy Sell, I Don't Need a REALTOR®

Are you great friends with large developers?

You may know 1 or 2 people who work for a developer but do you have personal connections with the decision makers?

It's not easy to sell a land assembly by yourself. Unless you have lots of experience under your belt, I would strongly recommend against going at it by yourself. You don't want to sign a contract and get your neighbors to sign a contract that is a WIN-LOSE situation where you and your neighbors are on the losing side.

If you're not a professional, leave it to the professionals.

GARY's WOW

— WORDS OF WISDOM —

If you're not a professional, leave it to the professionals..

Myth #4: We Have × Number of Lots Together, It Will Sell For Sure

Some developers are looking at acquiring more than just 5 lots of land. Some are looking at buying the entire block or even several blocks. Depending on the plans they have, they may need a minimum number of lots in order for their project to be feasible.

Even if you have 11 lots, they may need 12 lots. They may not want to take the risk of being under contract with your 11 lots and simply hoping that they can buy out the 12th lot.

Myth #5: Land Assembly Means I Can Sell My House for 2x What It's Worth

Pricing your home for land assemblies is not a simple task. Developers and investors have to calculate many numbers including the Floor Space Ratio (FSR), price per sq ft and building price per sq ft.

Floor Space Ratio or **FSR** refers to how much square footage can be built on a particular piece of land.

For example, if the FSR is 0.60, it means that on a 10,000 sq ft lot, one can build up to 6000 sq ft on it. If the FSR is 1.25, it means that on the same lot, 12,500 sq ft can be built.

For multi-family, low rise or high rise developments, the FSR will usually be greater than 1.0 because the city wants to encourage developers to build upwards and increase the densification.

First of all, as I mentioned earlier, developers will want to know whether the land that they are buying is able to be rezoned.

If it can't be rezoned from residential single family zoning, then it'll be impossible to obtain greater FSR ratios.

If it can be rezoned, the developers will need to find out what FSR the city will allow them so that they can do the calculations for the investment.

Unfortunately, the city will often provide a range for the FSR ratios, like 1.25 – 1.5. Therefore, developers and investors will need to make conservative calculations based on if they were approved for only a 1.25 FSR ratio.

Then, depending on what the developers are building, let's say high rise condos, they will need to find out how much brand new condos are selling in terms of price per sq ft.

This comparable price per sq ft is the expected revenue they will receive but they would have to minus out the expected expenses (land, permit fees, commission, etc…) which would leave them with the profit.

The calculation process is often quite extensive because these developments are huge multi-million dollar investments and financial guardrails and safety margins are put in place to not only prevent the developer from losing money but to ensure that the project meets the required ROI.

But to briefly sum up how they buy land assemblies, they calculate the revenue by:

1. Determining what can be built there.
2. Determining the buildable FSR and the buildable square footage.
3. Determining how many units can be built and the price per sq ft the units will sell at.

With this information, they will come up with an estimate of the total revenue that can be generated from the project.

Then they calculate the expenses by:

1. Determining the cost to acquire the land.
2. Determining the construction cost of the buildable square footage.
3. Determining the fees they need to pay to the municipality city hall for the construction permits, amenity contributions, etc…
4. Determining the marketing costs associated to sell the project (REALTOR® commissions, presentation centers needed, etc…).

With this information, they will come up with an estimate of the total expenses that will be needed for the project.

Then they would take the revenue minus the expenses to obtain the profit. They take this profit and measure it against the timeline of the project and measure it against the ROI/yr that they have set for this project and determine whether it is feasible to undertake the project.

As always, unless you have significant experience in doing this, I'd recommend talking with residential or commercial REALTOR®s that specialize in this rather than trying to do it on your own.

Final Thoughts

I have discussed numerous topics above as it relates to buying, selling and investing in real estate.

They are by no means an exhaustive analysis of how to do everything in real estate. I've covered some topics in more comprehensive detail than others but I'm sure you have found the information useful.

This book was written in response to the lack of transparency I saw in the real estate industry. I'm confident that the tools discussed in this book will help you on your way to buying, selling and investing in real estate.

Some of the strategies discussed in this book may be more relevant for some people, rather than others. Just like any industry, filter out what doesn't work for you and take what works and stick with it. However, as many of these strategies are very unconventional, I'd encourage you to try some of them out. You'd be surprised at how effective they are.

You may be overwhelmed by all the information, tips and strategies that were covered in this book, but I encourage you not to view this book as a textbook that you need to memorize, but a timely resource handbook that you can refer to often.

Try to incorporate the unconventional wisdom and see how you could revise and tweak it to create your own strategies in your real estate endeavors.

Lastly, although I don't discourage you to go out on your own, I'd like you to be equipped so you don't waste your hard earned money on poor investments or make costly mistakes in buying, selling and investing in real estate.

Joining some real estate investing groups, reading informative and useful blogs, attending seminars, reading books and allowing a REALTOR® to guide you, are the best and least expensive ways to venturing into the world of real estate.

I remember getting interviewed on TV by a friend of mine and she was interviewing me and one of the questions she asked was,

"If you could give one piece of advice to local and foreign buyers in real estate, what would it be?"

My answer was,

"Make sure you find a good REALTOR®, not just the most famous REALTOR®, but someone who you can trust. Interview a few and look for one who really cares about you and your needs."

Whether it be finding partners in real estate investing, contractors to help you renovate or finding a REALTOR® to help you buy or sell, make sure you work with someone who is trustworthy, loyal and is interested in building a long term relationship with you.

Buying, selling and investing in real estate can sometimes be made more complicated than it actually is. I'm not saying it's a simple topic that can be digested in one sitting, but if you work at it and learn a little day by day, it makes it much easier to swallow.

Most of all have fun in real estate. Buying, selling and investing in real estate should be an exciting journey. The ups and downs, the successes and mistakes and the emotions are what make it like a roller coaster. But don't be scared, just enjoy the ride. If you have the right attitude, you're ahead of most people out there and are much more likely to excel in this industry.

Don't forget to visit www.garywongrealty.com for additional resources to help you on this journey.

In the meantime,

Go Out, Seek Advice, Make Offers,
Invest in Real Estate and Make Money!

Good Luck and All the Best!

How to Claim Your FREE Bonuses

As a special thank you gift for purchasing *The Book on Vancouver Real Estate*, I have included an exclusive package of bonuses, valued at $199.00.

FREE Bonus Gift #1: Audio Interview with best-selling author and Chatting with Champions Founder, Tyler Basu (Valued at $20)

FREE Bonus Gift #2: Importance of a Good List Price – Key Pricing Tips To Consider Before Selling Your Home **REPORT** (Valued at $20)

FREE Bonus Gift #3: "Getting to Yes – Negotiating an Agreement Without Giving In" **EBOOK** by Roger Fisher and William Ury (Valued at $20)

FREE Bonus Gift #4: Mapping the DNA of Investment Property Insurance **REPORT** by Park Insurance Agency (Valued at $20)

FREE Bonus Gift #5: Why Real Estate Investing Makes Sense For You – Exclusive REIN **REPORT** (Valued at $20)

FREE Bonus Gift #6: 1-on-1 Real Estate Portfolio Investment Consultation (1 hour, Valued at $100)

I was recently invited to be a sponsor, MC and model at a Brooks Brothers event at their downtown location. During the networking, I was talking to a few people and one of them was a real estate investor. He was telling me about the real estate investments he had and offering advice about renting out to tenants.

My advice as discussed in the book was to increase the rent regularly but he shared about how he hadn't raised the rent for his tenants in years and how the tenants were very good, never causing any problems and treating his investment property like their own.

His perspective on raising rent was that the tenants would leave and his place would be vacant causing him a big headache. However, I helped him to see that there is a different way to look at it.

I shared with him that if you suddenly increase the rent, the tenants would be unhappy, but why not, have the conversation included at the beginning of the tenancy when you outline the tenancy contract.

Prior to that, I had shared with him how he could increase the rent and have his tenants ***gladly*** and ***joyfully*** pay for the premium.

I said to him, "If you add enough value to your tenants, your tenants would be a happy customer and would gladly pay the premium in rent".

Many of the secrets I shared with him are the exact same ones that are in this book. After sharing with him, even though he had been a real estate investor for years owning several properties in his real estate portfolio, he shared that he never knew about those particular strategies and he even mentioned that he would try them.

My conversation with him was only about 15 minutes long, but if you're in the Vancouver area, one of the bonuses of this book is that I will give you a 1 on 1, one hour consultation.

We will look at your real estate goals, analyze your current real estate portfolio and come up with strategies and action items to help you reach your real estate milestones.

All you have to do to get your bonus gifts is visit my website at: www.garywongrealty.com/bonuses

About The Author

Gary Wong is the author of **"The Book on Vancouver Real Estate"** and the owner of Vancouver's Top Real Estate Youtube Channel www.vancouverrealestatetv.com.

As an award-winning Realtor, Gary helps investors build short term wealth through buy and flip strategies and helps them build long term wealth through buy and hold and various cash flow strategies.

Gary regularly advises his developer and investor clients in matters of structuring, negotiation, implementation, sales and acquisitions.

His long term real estate acquisition formula has helped his clients from all walks of life to establish real estate portfolios to meet their long term financial goals.

Known for his creative, unconventional and outside of the box marketing methods, he is paving the way for a new standard in the industry.

His goal has always been to add massive value through educating and consulting with his clients for the purpose of building lifetime client relationships.

When it comes to advanced real estate deals, Gary can advise and counsel you through property disposition and acquisitions from preliminary planning and feasibility analysis, to detail goal-oriented marketing and comprehensive sensitivity analysis determined by current residential real estate trends.

As an award winning investment REALTOR®, Gary also specializes in a number of other real estate services, including:

- Acquisition and Sale of Residential Properties (Houses, Condos, Townhomes)
- Zoning
- Land Subdivision Opportunities
- Positive Cash Flow Analysis
- Future Value and Present Value Analysis
- Return on Investment Analysis
- Creative Win/Win Rental Strategies for Landlord/Tenants

Before Real Estate, Gary worked in the corporate world for years before going back to business school to do his MBA targeted towards his childhood passion of real estate.

Seeing the fierce competitive atmosphere, he quickly established his foundation rooted in his beliefs in honesty, ethics and integrity in all matters.

Since then, he has been focused on serving his clients one by one with a mission to provide an **exceptional home buying/selling experience** through his no pressure, unconventional, outside of the box marketing, dedicated consulting and client care for the purpose of establishing lifelong relationships.

For an in-depth assessment of your real estate needs – and an extensive list of the hottest list of residential properties for sale in the Vancouver Area – call Gary.

Thinking of buying for the 1st time?
Wouldn't it be nice to know about the growth potential, school catchments, and zoning of your dream home so that you can make a lot of money in the future?

Thinking of selling?
Wouldn't it be beneficial to know that there are simple things you can do to increase the value of your property so that you can maximize its value. Give Gary a call today for a free consultation.

He will analyze your current investment portfolio and/or future goals and help create a roadmap filled with solid premium residential investments that will help your portfolio grow.

It's time to work with Vancouver's #1 Real Estate Agent – call Gary today!

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