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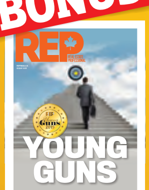

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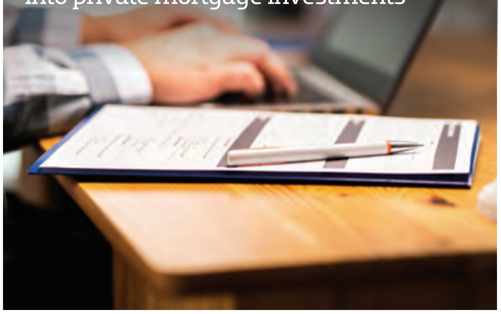

EDITORIAL

SEPTEMBER/OCTOBER 2019

To Airbnb or not to Airbnb

Everyone wants to own investment properties in a hot rental market. With prices as high as they are in Canada's biggest cities, getting top dollar for a home is the only way many investors can generate cash flow – or, as is becoming more common, come close to breaking even.

Seen in that light, short-term rentals can seem like a no-brainer: Why rent out your condo in Toronto for $2,000 a month when you can potentially double that by renting it out for $170 a night through Airbnb? It's a simple enough calculation, one a growing number of investors are using to support a switch to a short-term strategy.

But concerns from housing advocates about Airbnb's negative effects on local housing markets are once again drawing public attention. A recent report from the School of Urban Planning at McGill University estimates that Airbnb may responsible for removing 31,000 units from the Canadian rental market. While the numbers are debatable – Airbnb and the report's authors have gone back and forth about their veracity – the issue they put forth is not.

Until very recently, housing was not simply a backdrop over which people could make money anonymously with a few taps on a phone screen. Landlords provided value for neighbourhoods, improving their appearance by maintaining their buildings and fostering their spirit by finding tenants who actually wanted to live in, and contribute to, a specific area of a city. Now, with platforms like Airbnb, the intangible aspects of housing are being sacrificed for the sake of convenient, faceless monetary transactions.

That money becomes blinding, something that works in Airbnb's favour. The more people list their properties on Airbnb, the lower a city's vacancy rate becomes. The lower the vacancy rate, the faster the per-night rates increase. The more the rates increase, the more people put their units on the platform. It's an addictive cycle in which participating automatically increases profitability. But it also forces participants to choose between providing housing for people who need it and providing hotel rooms for anyone with a credit card.

That choice didn't exist a few years ago, and it's an unfair one to put in front of investors, who have both real-world financial obligations to meet and that all-too-human penchant for wanting a little more of what's good.

But that money comes at a significant cost. When every house is a hotel, where do people go to find homes?

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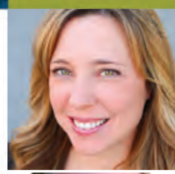

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PRIVATE MORTGAGE PRIMER

Investing in private mortgages is not for the faint of heart. But, as **Harpreet Hans** explains, using TFSA and RRSP funds can help informed investors match the high level of risk involved with equally lofty returns

As a real estate investor looking for opportunities to diversify your passive income stream, the question of investing in private mortgages has likely crossed your mind. Much has been written about these non-institutional mortgage investments and their merit as part of your real estate portfolio.

As a necessary disclaimer, I have to agree with the conventional wisdom that private mortgages are a high-risk investment and should only be considered if the funds available for investment are surplus. Why? Because of the very real possibility that you could lose every penny.

But the silver lining to that towering cloud of doubt is that the higher the amount of risk involved, the higher the interest rate earned. Investors who use mortgage brokers experienced in making smart investment decisions – employing sharp underwriting techniques, using lower loan-to-value ratios and skilled at identifying lower-risk opportunities – have been able to secure stable and steady income in their investment portfolios by investing in private mortgages.

The source

Thanks to recent tax changes affecting passive investment corporations, return on investment in private mortgages has been noticeably reduced. If you've teamed up with a qualified mortgage broker who is skilled at selecting suitable investments, or if you've located a private mortgage investment corporation that you're comfortable with, consider using funds from your RRSP or TFSA to both boost your private mortgage investment power and reduce the tax impacts.

Select institutions, such as Olympia Trust Company and Canadian Western Trust Company, offer the ability to use your RRSP or TFSA funds in a self-directed mortgage investment. Naturally, these companies do not assume any liability or responsibility for the investment choice, but having access to some tax-sheltered funds means that the interest you gain is either tax-free or tax-deferred. Both are powerful ways to increase the value of your returns.

If you use a TFSA to fund a mortgage investment, the borrower's principal and interest payments are automatically debited each month from their account back to your TFSA. The interest growth is tax-free and can either be drawn to fund your ongoing needs or reinvested to compound growth.

If you use an RRSP to fund a mortgage investment, the payments are also automatically debited from the borrower's bank account back to your RRSP. The interest growth is tax-deferred and remains in your RRSP until you withdraw it in the future. Once the funds are drawn, taxes are payable to the CRA based on the amount drawn and other income sources in the pertinent year, so don't forget to account for the tax man when you're running your numbers.

Self-directed mortgage investments using TFSA or RRSP capital can be used to fund mortgages up to 100% of the value of the property – although that's not a move most mortgage or legal professionals would recommend. In addition, these investments continue to give you the ability to exercise a profound amount of control, allowing you to choose:

The investor is fully responsible for making the most critical decisions concerning the mortgage, the borrower and the loan terms

- ☑ The property for the investment
- ☑ The borrowers
- ☑ The interest rate
- ☑ The term
- ☑ Additional provisions such as pre-payment charges, admin fees, etc.

The fine print

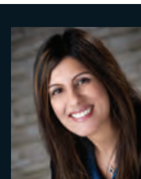
An added benefit is an extra set of trained eyes on the priority of the mortgage and the legal review of the title search. For example, to fund the investment, most institutions will require a copy of the parcel register pages of the title search to review for prior mortgages and notices, and to ensure that the mortgage is indeed a first-, second- or third-ranking mortgage (based on the investor's direction).

Furthermore, upon registration, most institutions will require another copy of the parcel register pages to confirm actual registration and that the priority expected (first, second or third mortgage) is in fact fulfilled. The institution also confirms that prior encumbrances that were to be discharged at closing are in fact discharged.

Again, it's crucial to keep in mind that the institution will not take liability for the investment. As the investor, you're fully responsible for making the most critical decisions concerning the mortgage, the borrower and the loan terms. You're also fully responsible for mortgage enforcement action if and when required.

Private mortgage investments are not for every investor. However, if you have the risk tolerance and the know-how, using a TFSA or RRSP to fund a mortgage investment can provide valuable tax reduction and access to a pool of funds. ■

HARPREET HANS is a partner with Gunding & Hans LLP in Milton, Ontario. She practices exclusively and extensively in the area of real estate law and mortgages.



FOUR TO MAKE YOU MORE

Incorporating is a move that can be as daunting as it is necessary. **Andrew Ku** shares four strategies that can help real estate investors increase their profits – and hold onto them

Many *CREW* readers will be familiar with the basic taxation differences that exist between corporations and individuals. But there's a plethora of planning techniques that can be beneficial for real estate investors. Using a theoretical investor as an example, let's explore four ideas you can use to ensure you're keeping as much money in your bank account as possible.

Tony Shark is an active real estate investor and a sole shareholder of Shark Industries ('OpCo'). OpCo is involved in real estate activities such as construction management and property management services. Tony holds his investment properties via various Ontario numbered companies (collectively 'HoldCo'). OpCo provides services to both HoldCo and external clients. For the purposes of this illustration, we will assume that OpCo is eligible for the small business tax rate. Tony has a daughter, Morgan, who is currently a minor. Tony's plan is to pass on OpCo to Morgan when he retires. The following are a few of the corporate tax strategies Tony has at his disposal.

1 Timing play

Tax deferral is always a key planning area between corporations and shareholders. As many of us are aware, there is a huge gap between the small business corporate tax rate and individual tax rates. As illustrated in the second column of the chart on the opposite page, the amount not paid out to Tony can help grow Shark Industries. A $100 revenue can leave OpCo with $85 to reinvest into its business, compared to only $55 if Tony was not incorporated.

The compounding effect of reinvestment can be astonishing. Looking at it with the mindset of an entrepreneur, the compounding effect would help OpCo achieve a higher profit sooner.

> There is a huge gap between the small business corporate tax rate and individual tax rates

2 Payment game

Since Tony is the sole shareholder of OpCo, he can dictate the timing, amount and form of payments from Shark Industries to himself. One of the common techniques to achieve tax deferral is the declaration of a bonus payment from OpCo to Tony.

Generally, tax treatment for corporation

TAX ILLUSTRATION: INDIVIDUALS VERSUS CORPORATIONS

	Tony – unincorporated	Shark Industries without payment to Tony	Shark Industries with salary and dividend to Tony
Business pre-tax income	$100	$100	$100
Salary to Tony	N/A		($50)
Taxable income	N/A	$100	$50
Corporate tax		($15)	($7.50)
Dividend available to be distributed to shareholders		$85	$42.50
Tony's personal income	$100		$50
Dividends declared	$0	N/A	$42.50
Tony's personal income tax on income (45%)	($45)		($22.50)
Personal income tax on dividend (35%)			($15)
Total corporate and personal taxes	($45)	($15)	($45)
Total after-tax cash flow	$55	$85	$55

Assumptions: *All rates above are for the purposes of illustration only. Combined federal and provincial corporate tax rate of 15%; personal tax rate of 45% on general income; personal tax rate of 35% (net) on dividend, gross up and dividend tax credits.*

expenses is based on financial statements prepared in accordance with accounting rules, while most of the taxable income for personal tax is accounted for on a cash basis. If OpCo has a taxation year-end of August 31, 2019, accruing a bonus payable to Tony would allow a deduction for corporate tax, assuming the accrued bonus is paid within 180 days after the company's year-end.

On the flip side, if the accrued bonus was paid to Tony in January 2020, such an amount would not be included in his personal income until 2020. You should also look into the withholding tax requirement on such payments. If Tony directs the amount from his bonus payout into a registered savings plan (RSP or RRSP), such a payment is typically not subject to income tax payroll withholding.

3 Estate planning

Life insurance proceeds in Canada are generally tax-free to the beneficiaries. Tony can achieve permanent savings by purchasing life insurance policies through OpCo. Tony would be the insured, and OpCo would be the beneficiary. However, there is one catch to obtaining insurance proceeds: Tony, unfortunately, has to die.

If Tony passes away, the life insurance proceeds will be paid to OpCo, and the proceeds can be paid out to shareholders of OpCo on a tax-free basis. If proper planning was implemented prior to Tony's death, Morgan would have been made a shareholder of OpCo. This would allow Morgan to get access to the insurance proceeds much faster than through the typical estate process.

If Tony were to purchase the policy personally, for every $100 in income he made, he would only be left with $55 to purchase life insurance; with the corporation structure, he would have $85 to purchase insurance policies. This allows Tony to get a policy with larger proceeds, even with the same amount of pre-tax income.

This technique is often used in planning for high-net-worth intergenerational wealth management. Such a structure might also make use of a holding company that owns shares of the operating company.

Recent changes to taxes on income generated from certain types of life insurance policies might have an impact on this strategy. You should speak to your insurance and tax advisors if you plan to implement this strategy.

4 Capital gains exemption

Generally, the sale of qualified small business corporation shares is exempt from income tax for shareholders. Currently, the lifetime capital gains exemption limit for 2019 is $866,912. That limit will increase based on the inflation rate.

Let's assume Tony's OpCo is making a profit of $150,000 a year, and a potential buyer is willing to purchase Tony's OpCo shares at an earning multiple of five times ($750,000). Tony will be taking home $750,000 tax-free, assuming the sale has met all the conditions. As we all know, there aren't that many tax-free opportunities around – so make use of this one!

The above examples are just the tip of the iceberg as to what an investor can do to minimize taxes for their real estate business. As always, consult with a tax professional to ensure your tax strategies are optimized for the long run. ■

ANDREW KU is a licensed public accountant who lives and works in Toronto. Contact him at andrew.ku@realestatetaxes.ca.

BENEATH THE SURFACE

Choosing the right finishing touches for kitchens and bathrooms can be your ticket to rapid resales and rising rents. Renovation expert **Katie Herbert** details the available options

When renovating a space for resale or rent, it can often be challenging to know where and how to invest in finishes. For me, the most important rooms of any home are the bathrooms and kitchen. These are the spaces where you get the most return on your renovation investment, but how can you make your property stand out without compromising your budget?

I primarily renovate and resell residential homes, so the finishes throughout my properties are mostly neutral with a focus on mass appeal. But I still want buyers or renters to be wowed and remember them. Where there is impact, there are profits. Here are my budget-conscious, style-friendly guidelines for working with kitchen and bathroom surfaces: tile, countertops and backsplashes.

Let's talk tile

There's no secret recipe for designing successful rooms, but there are four rules of thumb I've always found to be reliable guides to creating memorable spaces with tile.

1 Design

Are you going to highlight the floor or a shower wall? Pick one area that will draw the eye and form the centrepiece for all subsequent finishes. Be willing to stretch your budget on this, dedicating anywhere from one-third to two-thirds of it to your feature area.

Don't be afraid to complement the feature using simple tiles. White stock tiles are great supporting acts, and at $1.50 to $4 a square foot, the prices can't be beat.

If you're using a simple tile, play with placement: herringbone, brick, stacked, vertical, basket weave, staggered. These are all patterns that can bring your inexpensive tile to life.

And pay equal attention to grout. It can make or break the room. I recently used black grout on plain white tile in a rental, which not only elevated the tile but also delivered a modern and practical look that is less susceptible to discolouration.

2 Supply

Good relationships with your suppliers are crucial. They can alert you to discount items, invite you to end-of-lot sales and afford you many of the benefits reserved for bulk or loyal customers. Shop around for inspiration, but stay loyal to just a few suppliers. It will save you time and money.

3 Installation

During installation, avoid cutting corners at all costs. I've seen many projects where a beautiful tile has been incorrectly or badly installed, and it cheapens the space. If you're working with a new tiler, be sure to check out their previous work and make sure their aesthetic matches yours.

4 Flexibility

Since you're not creating your own dream bathroom, why not shop the sales? Finding feature tile at a discount can materially impact your budget, so find one main tile and then build the scheme around that. I love to pair floral floor tiles (an average of $6 per square foot) with plain white tiles ($1.99 per square foot), or large-format tile with pops of smaller mosaics, for an eye-catching yet affordable scheme. Don't obsess over finding that one perfect tile. Shop with an open mind and follow your gut.

Someone's in the kitchen

While these guidelines apply to the tile used in any part of the house, there are important distinctions to be made for countertops and

backsplashes in the kitchen. A backsplash is typically a defining feature of any kitchen, so it's important to set the right tone.

Finding the right backsplash need not mean overpaying. You can get a great return by making a clever selection – porcelain mermaid, crayon, elongated hexagon, scallop, or even penny round tile can create a high-end appearance. I've even used grey barn board as a backsplash in a basement rental, which was impactful and cost-efficient. You're going to be looking at $6 to $15 per square foot versus $25 or more if you were using a more traditional marble, glass or quartz backsplash.

In terms of countertops, my default is quartz. It's the most cost-efficient use of your budget and still delivers on quality, durability, style and price ($50 to $155 per square foot). I would recommend quartz whether your reno caters to the most discerning client or the masses. But if you're determined to do something different, here are some alternatives to consider:

Shop around for inspiration, but stay loyal to just a few suppliers. It will save you time and money

- **Butcher block.** It's affordable and it looks great, but it's not as durable as most other options. Use it if the weathered look matches your aesthetic. Prices range from $45 to $120 per square foot, depending on the species of wood you choose.

- **Concrete.** It's strong and durable but susceptible to stains and scratches. It can also crack if not well installed/poured. Prices range from $70 to $140 per square foot.

- **Granite.** Durable, beautiful and heat-resistant, granite's price point is attainable if you start at the lower end of the spectrum. Prices start at $45 per square foot, but high-quality slabs will cost more than twice that.

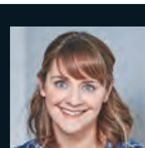
- **Stainless steel.** It's low-maintenance and beautiful, but scratches and dents show easily. And at $80 to $225 per square foot, it's not cost-efficient.

- **Marble.** Beautiful, but it's porous and high-maintenance. The price tag usually ranges from around $75 to $250 per square foot.

- **Laminate.** Avoid the laminate slabs from big-box stores. Instead, find good custom laminate installers who have a range of colours and modern profiles to choose from. Expect to pay $15 to $80 per square foot.

Surfaces speak to the quality of your space and bring together all of your design elements. Simplicity delivered well will never disappoint, but have a little fun with it, and you will create a more memorable space that brings you more buyers or renters. ■

KATIE HERBERT owns and operates Herbert Homes, a home renovation company based in the GTA. She is also the host of *Handmade Hotels*, which airs on Makeful. She prides herself on thoughtful design and quality workmanship. Find her on Instagram @herbert_homes.



THE SWEET SOUND OF SUCCESS

Wendy Cheung has navigated her way through two BC real estate booms, first as a novice and then as an expert. She emerged from each one stronger, smarter and richer than she ever imagined

In 1999, Wendy Cheung was on the verge of wrapping up her bachelor's degree in music at the University of British Columbia. A gifted pianist and songwriter, Cheung envisioned a future woven from melody. Prior to graduating, she opened the Mozart School of Music, offering classical training for children and adults. She had no idea that in a few short years, the school would be operating out of a building she herself owned.

The Mozart School was both a passion project and Cheung's first foray into entrepreneurism. As a struggling student, she remembers having to deposit $3 into her bank account just to withdraw the $7 balance she had. It was that moment when she realized that working for others was not the song she wanted to sing.

"That was a pivotal point for me," Cheung says. "I didn't want that anymore. I decided that being an entrepreneur and being in business was the only way I wouldn't have to trade my time for money. I had to be able to think smarter and have a vehicle where I could grow a company, have flexible time and leverage other people's time to make money on behalf of the company."

She found all of that at the Mozart School, but the returns weren't what she had in mind. "I wasn't able to make it as big as I wanted," she says. In 2005, having just given birth to her son, Avery, Cheung relinquished day-to-day control of the school and turned her attention to a pursuit that had taken BC's Lower Mainland by storm: real estate.

BC's most recent boom hit the province like an earthquake, the aftershocks of which are still being felt. The previous one, between 2005 and 2008, was more like a flood – of cash – and everyone was getting soaked.

"You just fell into the lap of real estate," Cheung recalls. "You'd buy something, you'd sell something, you'd make money, and you'd roll that money over to buy something bigger."

Banks were much looser with the purse strings, too; "zero down" was the call of the day. Up until 2012, Cheung remembers financing being a breeze. "I'd get pre-approved prior to even looking at a property. The bank would just say, 'Go ahead and shop. You have the credit. You have the money. Go do your thing.'"

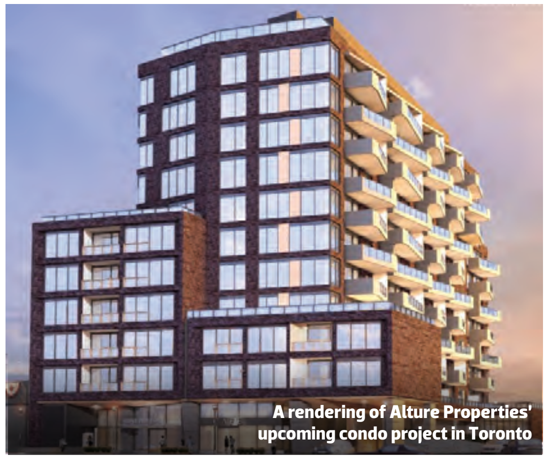
Aside from paying off the townhouse she owned with her husband, Peter, Cheung had no experience with real estate. But with

HIGHLIGHTS OF WENDY CHEUNG'S PORTFOLIO

Location	Property type	Purchase date	Purchase price	Monthly rent	Current value
Burnaby, BC	Commercial retail	September 2008	$800,000	$4,300	$1,700,000
Surrey, BC	12-plex	September 2008	$1,650,000	$9,600	$4,500,000
Burnaby, BC	Four-plex	November 2010	$1,050,000	$4,800	$2,500,000
Burnaby, BC	Detached home	March 2016	$1,538,000	$6,000	$3,050,000
Phoenix, AZ	10-unit apartment building	August 2016	US$429,000	US$6,500	US$850,000
Nanaimo, BC	House with acreage	August 2016	$450,000	$1,800	$770,000
Delta, BC	Warehouse	September 2016	$300,000	$2,335	$650,000
Phoenix, AZ	27-unit apartment building	November 2016	US$1,195,000	US$16,000	US$2,200,000

"I'd get pre-approved prior to even looking at a property. The bank would just say, 'Go ahead and shop. You have the credit. You have the money. Go do your thing'"


Alture Midcity, which went up in Calgary between 2013 and 2015


A rendering of Alture Properties' upcoming condo project in Toronto


Outside a 27-unit apartment complex Cheung owns in Phoenix, Arizona


Mozart School of Music's current home, in a building owned by Cheung

no debt, she had access to a generous line of credit, which she used to purchase her first several properties – a duplex, a single-family home and a few acreages – at random.

"I didn't have a metric," she says. "I just thought that if the numbers worked, or I liked the location, or it served my purpose at the time, I went ahead and bought it. I would not try to think it through really hard. I was just better off owning something that has value. I was acting like I knew what I was doing when really I didn't."

Cheung's willingness to take risks comes from her belief that real estate is "forgiving" – that if a property is well cared for and in a good location, its inevitable appreciation will make the setbacks (also inevitable) worthwhile. That faith has fuelled her courage; her courage has fuelled her wealth.

"I didn't have any fear," she says. "I have not looked back and said I regretted buying anything."

Tuning up

Investors who start off lucky typically learn the hard way that they aren't as prepared as they think. For Cheung, that lesson arrived early on, when she rented the basement of her duplex to a tenant willing to pay above-market rent and pay it in cash. She soon realized she was renting to a drug dealer.

The eviction went smoothly enough, but it wasn't something Cheung wanted to go through again. Her screening process intensified to include references from multiple landlords and employers, in addition to income and credit checks.

Cheung is open about her past missteps and the lessons they've imparted. She says one bad habit – still hard to break after all these years – is being too enthusiastic and paying too much for properties. She once paid $150,000 over asking for a piece of land in Langley, actually going to the seller's house to interrupt his dinner and put in her offer. (Ten years later, the property sold for half a million more than she paid – a decent return, but less than she had hoped.)

"I look back and I start to think, 'What was I thinking?'" Cheung says, advising other investors not to rush into deals because "there's always another deal around the corner."

WENDY CHEUNG'S INVESTOR LESSONS

Work backward. Decide on an end goal first and then find a way to reach it by design.

Don't give up. If you haven't made money in real estate yet, it's not the vehicle, it's your strategy. Regroup and learn.

Learn when to buy and when to sell. Timing is everything in real estate. Buying and selling at the right time takes both knowledge and guts.

Real estate is a people business. Build your network and grow your net worth. Deal with people who have a good track record and integrity. Both are equally important.

Have a purpose. If you can incorporate a strategy that also has a positive effect on others, it will give you added purpose (and will likely attract more capital).

One of Cheung's upscale single-family properties in Burnaby, BC

"If you're going to sell one property, then you have to buy another one to replace it. Keep your cow and milk it"

5 INVESTING TIPS

The devil is in the details. Always double-check your numbers. Calculate in advance your best case, most likely and worst case scenarios. If you can't handle the worst case, don't do it.

Always be on title if you can. Control over your properties is absolutely crucial. If you plan to have a partner on the title instead, protect your assets with secure legal documents.

Be prepared for up and down markets. Having extra cash, not overextending and locking in a low interest rate for the long haul will protect you from the unexpected.

Know who your partners are. It's important to have detailed knowledge of the other parties involved in your business before you even consider signing on the dotted line.

Don't sell or buy too quickly. Take your time and think each deal through. Life is not a race.

One area where Cheung has shown particular savvy is in assessing deals. As a beginner, she would buy "99 per cent" of the deals she came across, dabbling in a variety of property types until she discovered her comfort zone. But now, armed with the knowledge that an investor's specific goals often require a certain property type, Cheung is far more strategic in her purchases.

"Maybe somebody wants to have the dividends on a monthly basis – they're going to go with high cash flow," she explains. "Someone who doesn't need the cash flow but wants a bigger return on a project, they can subdivide land and then sell off the pieces, or they can build and have a better value at the end to sell to the consumer."

But without experience, Cheung says investors can lack the insight required to accurately assess deals on their own. "They may be looking into one dimension and end up biting off more than they can chew." The most important assessment, she says, is of your own skills and shortcomings. "How much time are you willing to put in? What are your strengths? What can you delegate? Do you require a partner? You need to know yourself really well."

The next movement

From 2005 to 2010, Cheung, along with her husband, brother and a coterie of joint-venture partners, acquired 150 cash-flowing units spread across northern BC, Edmonton, Calgary, Surrey and Langley. But as one JV partner after another began hitting the financing wall, it was time for the group to shift their approach.

With a focus on land assembly and condo construction, Cheung's brother, Rinco Chan, launched Alture Properties in 2010. The company, which includes Cheung and her husband as partners, has now launched projects in Calgary, Harrison Hot Springs, Pemberton, Cultus Lake and Toronto.

Still a fresh face in the construction game, Cheung admits that meeting investor expectations brings with it a fair amount of stress. But by taking the same fearless, 'fake it till you make it' approach to development that she once took to residential investment, she is poised to capitalize on the next boom, even if it doesn't take place in Greater Vancouver.

As Alture's activity ramps up and the rent checks roll in, Cheung is teaching her son the rhythms and melodies of real estate, the symphony of numbers that has replaced music as the family business. Her first piece of advice? "Never sell this portfolio. If you're going to sell one property, then you have to buy another one to replace it. Keep your cow and milk it."

It might not be the most lyrical advice, but it's music to Wendy Cheung's ears. ■

UNLEASH YOUR RRSPs

In the second part of her series on how to use RRSPs to invest in real estate, **Dalia Barsoum** outlines a low-cost, low-maintenance strategy that can lead to excellent tax-sheltered returns

In the last issue of *CREW*, we looked at how you can use your RRSPs to purchase a rental property by borrowing funds from your retirement plan in the form of a mortgage, which you can then use as either a down payment on a rental property or as a way of buying it outright. In this issue, we'll discuss a second method of putting your RRSPs into real estate investments: providing funds for others.

Due to today's tighter lending guidelines, some borrowers are unable to obtain an 80% mortgage on a rental property from institutional lenders. Often, they turn to alternative sources of funding to supplement the shortage – such as an investor like you with RRSP funds to invest.

If you're looking for passive returns within your RRSPs or registered funds using real estate, this strategy is a great option, as it's low-cost and low-maintenance. It's also worth mentioning that this method would fall under what the CRA calls an 'arm's length' mortgage under the Tax Act.

Think of the mortgage as another investment type within your RRSP basket

How it works

Your RRSP is like a basket with various types of investments in it: stocks, bonds, money-market funds. In order to use RRSPs in real estate using this particular method:

- The RRSPs must be set up as a mortgage against the real estate. Think of the mortgage as another investment type within your RRSP basket.
- The real estate cannot be owned by you or a corporation that you own.
- The RRSP loan must be administered by a CRA-approved trust company such as Community Trust, Canadian Western Trust or Olympia Trust.

For example, let's say that you have $50,000 in RRSPs, plus another $25,000 in a TFSA that you are looking to put into a passive real estate investment.

Heather is a real estate investor who is looking to close on a rental property that she purchased for $500,000, which she's planning on renovating. Due to the condition of the property, Heather's

mortgage application has been declined by her bank. But she has been approved by a B lender for 65% of the value through her mortgage broker.

Heather wasn't planning on injecting a 35% down payment into the deal, as she would like to keep some funds set aside for renos. The good news is that the B lender will allow her to tack on a second mortgage behind its mortgage – up to 80% – to supplement the shortage.

Heather currently has $100,000, good enough for 20% down, but she is short the $75,000 she needs to hit 35%. On a deal like this, we can set up a registered loan from you for $75,000, combining your RRSPs and TFSA into a second mortgage for Heather.

The terms of the mortgage can be outlined through a mortgage agreement drafted by your mortgage broker or your lawyer. The terms would state, in part:

- The duration of the mortgage
- The interest you'll charge on the loan
- Any lender fees payable to you
- Payment frequency
- Renewal fees

At the time of closing, your lawyer would register the $75,000 RRSP/TFSA mortgage against Heather's property, in second position, and the trust company of your choice would take care of the processing/collection of the interest payments payable on your mortgage.

Upon the maturity of the mortgage term, Heather would be expected to return the $75,000 principal back into your RRSP, along with any accrued interest calculated at the time of mortgage discharge.

Mitigating risk

Having your funds wiped out is a chilling proposition with this type of arrangement. That's why, if you're planning on using this strategy, I strongly recommend that you work with a mortgage broker who is experienced with private lending, who can help you structure the deal in a way that helps manage the risks involved. Two ways of mitigating those risks include:

Understanding the exit strategy. This involves getting a number of questions answered. How will the borrower successfully pay back the loan? Will they sell the property? Will they be able to refinance it? What are the underlying assumptions of the exit strategy, and have they been validated? What if the borrower can't return the funds in time due to circumstances outside their control? Will you be open to renewing the loan?

Ensuring the value is legitimate and that you have a cushion. Because your funds are secured by the value of the property, it's important to ensure that an appraisal was done by a reputable third-party company and that the appraisal is addressed to you, the lender, at the time of closing so you can legally use it if a power of sale takes place.

On the topic of value, it's also important to get guidance from your broker in regard to the loan-to-value ratio. Ensure that the property is not over-leveraged and that there is enough cushion in case you need to put it up for sale under a power of sale scenario.

Private mortgages can be risky, but a thorough strategy, coupled with due diligence, can make them a real game-changer when it comes to planning your retirement. ■

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TRIPLE YOUR LEAD CONVERSIONS

A successful real estate business requires a certain level of marketing prowess. **Chris Shebib** explains how to get the most out of your digital marketing strategy by injecting a dose of automation

Whether you're marketing for tenants, off-market deals, attendees for your events or a webinar, you need to optimize your marketing efforts. One of the best ways to do this is by increasing your conversions and reducing your cost per lead. Marketing automation allows you to put your crucial digital marketing tasks on autopilot while also maximizing your conversions.

Let's take a look at the current digital marketing ecosystem and then drill down into three specific areas that are critical to hitting your goals. I've found that properly introducing these three components into a marketing strategy can actually triple conversions.

Even if you're not familiar with all the interfaces shown in the diagram at right, the concept is simple enough. This model starts with driving traffic from Facebook, Instagram and your website into a sales funnel. Once the customer navigates through the funnel and completes the 'goal' (in this example, RSVPing to an investor event through Eventbrite), I use Zapier integration to move their information into the database or CRM. Then I start email communications to keep the line of communication open with them and nurture the transaction.

Let's see where we can improve this process.

1. The sales page/funnel

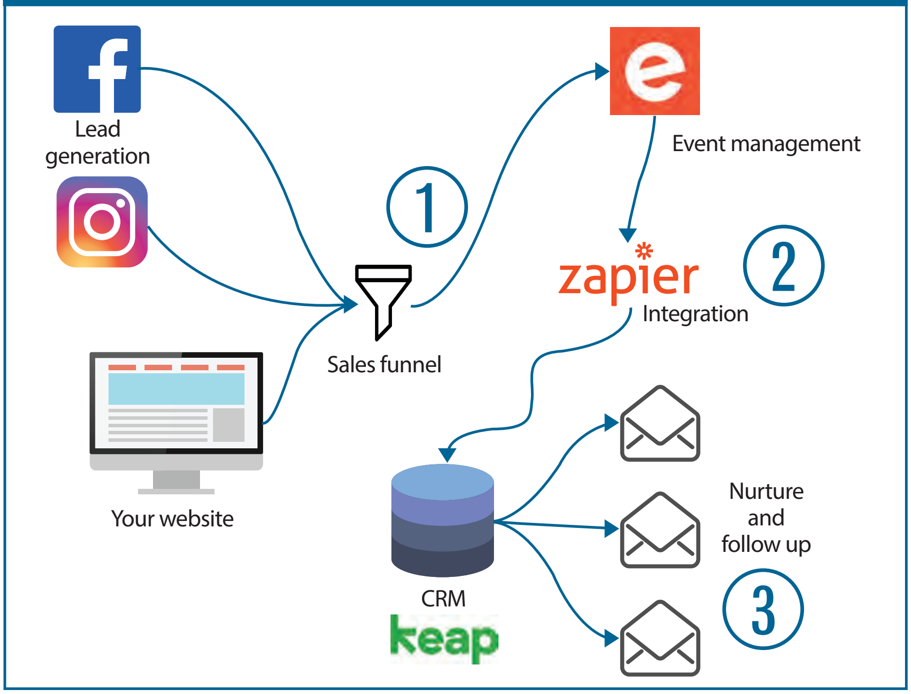
When implementing your funnel, create a dedicated set of pages away from your website. The branding can be the same, but website menus and other information shouldn't be present in your funnel, for two reasons:

Fewer distractions. The number-one reason why a product doesn't sell is because people don't know about the product or understand its value. Creating a dedicated set of pages without distracting menus or other offers lets you convey the specific offer and its value clearly and succinctly.

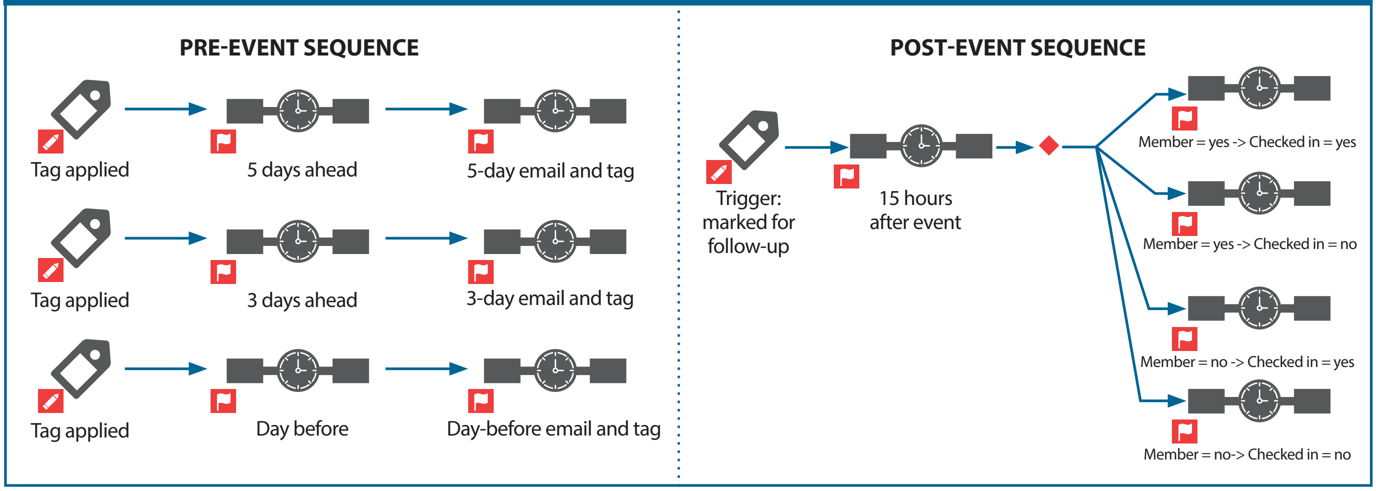
Ease of use. A well-designed funnel makes the product easy to purchase. The forms should be clean, and the information should persist from one page to the next. Checkout should be clean, easy and fast. A dedicated funnel, away from your website, benefits both your clients and your business.

While the initial setup will require some effort and creativity on your part, once your sales pages are in place, you can automatically articulate your offerings and value in a distraction-free environment, which should translate into more conversions.

THE MARKETING AUTOMATION ECOSYSTEM



FOLLOW-UP SEQUENCES



2. Integration

Here's where automation starts making its presence felt. After you've increased conversions by achieving more customer goals, the next step is to create a central repository for future communication and follow-up.

The job of integration, in this case, is to capture the information entered by your customer and store it in a central location. In more complex systems, there will be many points of entry into the central database or CRM. The more complex the system is, the more important it becomes to implement a central database where all information is stored.

With applications like Zapier, the integration process becomes simpler because it can be automated without the need to hire a programmer. Setup is quick and easy, and once it's completed, you won't have to spend time ensuring your customers are entered into your system each and every time you receive an RSVP.

The CRM also serves as a platform to facilitate future communication beyond this initial goal. Very rarely do you want to transact only once with a customer. Typically, if a customer purchases/attends/consumes one of your products, they're going to see value in hearing from you again and potentially purchasing more at some point in the future. For a business to understand the value of its clients – and maximize it – having a central repository like Keap is essential.

3. Nurture and follow-up

Now that each customer's information is securely in the CRM, you can easily automate your communications with them. The nurture sequence serves two goals. First, it provides communication and follow-up (such as a confirmation email with the event date, address, etc.) for the transaction or goal that your customer just made. Second, it will allow for communication around the theoretical event you're hosting. In the examples above, you'll see very straight forward pre- and post-event nurture sequences – all automated so you can focus on other areas of the business while still providing value.

As my event date approaches, attendees will hear from me three times. Each message will cover three unique benefits of the event they've signed up for and a reminder of the time and location. After the event, I target communications through different segments, offering them some potential next steps.

By segmenting customers into four targeted groups, I can provide them with more relevant communication and more valuable messaging. Regardless of the specifics of your marketing needs, your nurture sequences should be:

- **Interesting.** There's nothing worse than a boring message. How do you avoid sending one? Don't be afraid to be funny. Also, find intriguing details relevant to your product and tie them into your messages.

- **Reasonably frequent.** Whether it's a webinar or an event, the principles of following up stay the same: Once the customer has indicated that they find value in what you're offering, stay in touch. It's the best way to ensure you're delivering value.

- **Personal.** Whether you're making a video or writing an email, talk to the customer like you're having an in-person conversation. People don't want to hear a formal message to a large group. They want to hear from you, speaking directly to them.

By adding a marketing automation strategy like this, I've been able to triple my event conversions. In fact, in one case, I tripled conversions even when I had 24% less traffic to the event page. The net effect is that my marketing ROI has increased significantly – and, more than that, it's automated, meaning less effort and fewer errors. ■

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HOW TO MAKE A MILLION

Cash flow is a nice bonus, but true wealth starts with equity. *CREW* asked four seasoned investors for their strategies for supercharging equity build-up, challenging them to turn $100,000 in capital into $1 million in equity in 10 years or less

Equity is where it's at. In terms of manoeuvrability, greater access to credit and boosting net worth, the more equity you have built up in a property – or properties, ideally – the better off you'll be. But building equity requires time and, in the case of sweat equity, considerable effort. It's the warm, inspiring light at the end of what can seem like an interminably long tunnel.

To help speed your journey from one end of that tunnel to the other, *CREW* asked four passionate, successful investors to share their strategies for intensifying equity build-up. We gave them each a theoretical nest egg of $100,000 and asked them to turn it into $1 million in equity in 10 years or less.

Their strategies make up what is arguably the most diverse edition of "How to Make a Million" *CREW* has ever produced. There's something here for everyone, from novices to seasoned vets. One of them might just be your ideal path to building the kind of equity that allows you to live life on your terms.

HOW TO MAKE A MILLION …

AS A STUDENT RENTAL JV PARTNER

Monika Jazyk

Author and Real Property Investments owner **Monika Jazyk** lays out a strategy for cashing in on the lucrative student rental market while sidestepping the inherent headaches

When wearing our real estate investment specialist hats, my husband and I often tell clients that they need to choose between boring old appreciation with little cash flow and nice, juicy cash flow with little appreciation. We learned our lessons about chasing cash flow early on and rebuilt our portfolio on less-than-exciting buy-rent-hold properties in high-growth areas in Ontario with strong economic fundamentals, which led to us achieving some pretty amazing long-term savings goals, such as university educations for our kids and a healthy retirement plan.

But then we met Jon Seguin of Seda Developments, who was successfully using a student rental model in Windsor, Ontario – one of our favourite cities. We quickly decided to take advantage of this model to generate astronomical cash flow and speedy appreciation, easily allowing us to achieve the goal of growing $100,000 into $1 million over 10 years. The example on the following pages shows how we've applied this strategy to the purchase of two properties in Windsor as JV partners with Jon, allowing us to get the best of both worlds – cash flow and equity – as passive partners.

Parents' and students' expectations of rental properties have changed since the Animal House days. Long gone are the makeshift furniture and party houses that scare most investors away. The new student rental model is all about luxury, convenience and high returns. Students are housed in fully furnished, spacious rooms with modern, luxurious upgrades such as granite countertops. They even come with weekly maid service and optional meal delivery. This model provides a win-win-win for parents, students and investors, and has a competitive edge over traditional student rental properties.

The first year of this plan will be a relatively busy one, but anyone who is familiar with the buy-fix-refinance-rent strategy will recognize the steps involved.

> The new student rental model is all about luxury, convenience and high returns

Step 1: Buy a single-family home in Windsor

Homes in Windsor are in high demand, as this is one of Ontario's fastest-growing cities. Although homes there can sell for under $100,000, less is not always more. Working with an experienced agent or investor who knows each pocket of the city is key to preventing out-of-town investors from overbidding on problematic homes that will attract problematic tenants.

For this model, you'll focus on areas within walking distance of the university, or at least on the bus route, and close to other amenities. Students won't want to live too far away from where they're going to be doing all of their shopping and socializing. As your property will eventually house quite a few students, you're going to need at least 1,500 square feet, so prepare to pay a higher price – but in Windsor, that means around $200,000.

In joint-venture partnerships, it's common practice for one partner to operate as the financing partner who funds the down payment and holds the mortgage for the property, while the other manages the investment and is responsible for creating the real estate model and then guiding it to fruition, from acquisition to daily operation and maintenance. As the money provider for this deal, you will be responsible for a 20% down payment ($40,000) and all closing costs ($3,600).

Step 2: Convert it to a 12-bedroom student rental property

Next up is likely six months of construction work. This is why you'll need an experienced JV partner, preferably one with experience

either working with contractors or doing the work themselves. Although renovations are costly, their positive effect on a home's value means private financing will be available for the construction costs, which should be in the ballpark of $125,000. Luckily, you already have more than a third of that, thanks to what remains of your initial $100,000.

The reason the renovations are so costly is because you will be reconstructing the entire home and creating space in otherwise unusable areas. This includes underpinning basements to create bedroom and living areas and converting attics – and even garages – into livable space. The end result will be a dozen spacious bedrooms that look purpose-built, not makeshift. They will all have sufficient space, windows that provide generous lighting, high ceilings, built-in closets and room for your tenants to enjoy student life.

The main areas of the house will include one kitchen and a living/dining area. You might consider creating additional living areas in the lower units, but not ones large enough for a real crowd to gather socially, meaning these are not good party homes.

All communal areas are also under video surveillance in the event that theft or damage occurs. Although this does not sit well initially with some people, rest assured that the cameras are only reviewed if property is damaged and no one steps up to take responsibility. This is stipulated in the lease agreement. Since tenants are strategically placed (meaning groups of friends are seldom selected to live together), most tenants attracted to your units will be serious students. These units are all fully furnished with brand-new, modern furniture – no curbside or garage sale furniture allowed – including brand-new mattresses, which eliminates problems such as bed bugs. Bi-weekly maid service is also included, ensuring that the property is properly maintained.

To cover your $125,000 in reno costs, you will take out a six-month private loan of $68,600 and combine it with your remaining $56,400. Assuming you pay a 10% interest rate, you'll be looking at interest payments of $3,679.92.

Step 3: Refinance the newly constructed property

After the conversion is completed, the newly constructed property's after-repair value is an impressive $485,000, allowing you to obtain a new mortgage of $388,000. With these funds, you will pay off the renovation costs and then split the remainder of the refinance with your JV partner, producing a healthy return of just over $130,000 each. You will then pay off the original mortgage of $160,000, as well as the private lender's interest of $3,679.92, leaving you with only $32,179.92 of your money in the property.

Step 4: Rent it out

Each bedroom rents out for $650 per month. With 12 bedrooms, that amounts to $7,800 per month or $93,600 per year. After deducting all expenses, cash flow still equates to over $64,000 per year, making it a perfect JV model for passive investors, as you will still receive more than $32,000 per year doing zero work, as your partner's team manages the entire investment, from acquisition to construction to property management.

At the end of Year 1

	Monthly	Annually
Total rent	$7,800	$93,600
Expenses	$683	$8,196
Debt servicing	$1,737	$20,847
Cash flow	$5,379	$64,548
Your cut	$2,689	$32,274

Step 5: Save the cash flow for two years

With the high cash flow obtained in this model, investors can easily set aside their savings, preferably in a TFSA, and save up enough for a down payment for another property to apply this model to again in two years. By that point, you should have squirrelled away $64,548 in rental income.

Step 6: Repeat the process

The second phase of the process is an exact repeat of what you accomplished in Year 1. The only real difference is that the prices will be higher, as we're assuming a 5% increase across the board.

- ☑ Buy another student rental property at $220,500. Down payment and closing costs will total $48,100, which will come out of the aforementioned $64,548.
- ☑ Convert it to a 12-bedroom student rental. To cover the $125,000 in reno costs, you'll need to borrow just over $108,000 at the same 10% interest rate as before. After six months, you'll be on the hook for $5,825.10 in interest.
- ☑ Refinance the renovated property, now valued at $534,712, at 80% LTV. That will give you $427,770 to work with. Pay off the reno costs and split the remaining refinance funds, leaving you with a total of $151,385.
- ☑ Pay off the remaining mortgage and private lender's interest, and you'll have $26,840 left in the property.
- ☑ Rent it out again as a serviced student rental. Because it's only been a year and rents won't likely spike too much, the numbers will be identical to those generated in Year 1.

Step 7: Hold

The final step is the easiest of all: Hold both properties for eight to 10 years. Both properties will continue to be operated as student rentals managed by your JV partner, offering you the long-term benefits of buy-rent-hold real estate.

Accounting for 5% annual appreciation, your total equity from both properties after Year 10 will equate to $1.15 million. You'll also have accumulated a tidy $516,288 cut of the cash-flow earnings.

At the end of Year 10

	Property 1	Property 2
Current value	$790,000	$790,000
Remaining mortgage	$179,581	$243,944
Cash flow	$322,680	$258,144
Equity	**$610,419**	**$546,056**

HOW TO MAKE A MILLION ...

WITH COMMERCIAL MULTI-FAMILY DEVELOPMENT

Chris Thorne, the owner of Winnipeg-based Spruce Properties, outlines how experienced investors can supercharge their portfolio by overseeing the development of a brand-new apartment building

Chris Thorne

Commercial multi-family development is not for the first-time investor. It's best suited for investors with a few years of experience under their belt – someone who has done a few flips or smaller builds and has at least a basic understanding of construction, financing and deal analysis.

However, a successful development project like the one I'm about to describe can give you a brand-new property designed and built to your specifications that requires very little to no capital in the deal, excellent monthly cash flow, and strong appreciation and mortgage pay-down. (One important thing to note is that banks consider multi-family properties with five or more doors to be commercial and four doors or less to be residential. This is an important distinction when it comes to financing.)

In order to turn your $100,000 of starting capital into $1 million in equity in 10 years, you will likely need to contribute the full $100,000 to the first project and team up with a JV partner who can bring the rest of the cash required. Once you've built a track record in development, you can start asking future JV partners to fund the entire deal.

Step 1: Site selection and deal analysis

Before selecting a site for your project, you will need to familiarize yourself with the development landscape in your local community. Find out who the players are and ask them for a coffee; drive or walk the neighbourhood and look at how projects are designed; check your municipality's development applications to see where upcoming developments are happening; and become familiar with your local zoning bylaws. I would also encourage you to do some basic deal analysis on teardowns and vacant land opportunities so you get the experience under your belt, even if you're not ready to buy yet.

You should also talk to builders, developers and Realtors in your area to get some of these figures for your local market:

COST PER UNIT/DOOR FOR LAND. This is a rough cost per unit that developers in your area are willing to pay based on the potential of a project. For example, a developer might be willing to pay only $20,000 per door in a rougher area, but they might be willing to fork over $50,000 per door in a nicer area.

CONSTRUCTION COSTS PER SQUARE FOOT. This is a good way to do a quick calculation of what a building will cost, even if it is an oversimplification and there are a lot of other factors that affect the cost. For example, for a basic wood-framed building with entry-level finishes, the cost per square foot might be $150, whereas an upgraded wood-framed building with a better building envelope and upgraded finishes might cost closer to $200 per square foot.

INCOME AND EXPENSES FOR THE LEASED PROPERTY. It's important to have a realistic picture of what the incomes and expenses will be once your property is completed. Be conservative with your numbers, but not so conservative that the project looks bad.

Once you've given yourself this basic education in development in your area, it's time to start looking for a site. I suggest using a deal-finding strategy that you're comfortable with already, whether it's working with a Realtor, sending letters or door-knocking. You can be successful finding properties suitable for multi-family development in a variety of different ways.

The key to finding a deal is to recognize areas or streets where your municipality will support the type of multi-family project you want to undertake. From my experience, it's best to take the path of least resistance, especially in terms of risk, and to make sure your municipality will be fully supportive of your project from the start.

Let's say you find a run-down single-family home on a busy street where there are other multi-family projects up and down the block already. You talk to the city planners, who confirm they would support up to five residential units on the site. You then get the property under contract for $105,000, including closing costs, with you contributing $52,500 and your JV partner contributing the other $52,500.

It's not uncommon for the planning phase of a development project to take longer than the actual construction. Stay patient, have a plan, and you'll eventually reach your objectives

Step 2: Planning

Now that you've got your first development project under contract, it's time to make things happen. The planning stage is your opportunity to set your project up for success. It's not uncommon for the planning phase of a development project to take longer than the actual construction. Stay patient, have a plan, and you'll eventually reach your objectives.

To start with, you'll be hiring a designer familiar with your municipality's requirements to create a basic plan for your project. Once you have this plan, you can formally apply to your municipality for any changes to the property that will be required for your development. This could include subdividing or merging your property, varying the yard setbacks, parking requirements – any number of things. Remember, you should have already spoken to your municipality about your project, so the only negotiations at this stage should be about smaller details like landscaping and exterior finishes.

Once these changes have been approved by the municipality, your designer can complete the permit set of construction drawings, and you can submit your demolition and building permit applications.

Another important thing to consider is that municipalities have different requirements for additional plans, reports or testing as part of your development application. This might include things like asbestos testing and removal, geotechnical reports, environmental testing, land drainage – the list goes on. Make sure you are aware of these requirements, how long they take to complete and what order they need to be completed in.

Once you have your final set of construction drawings, you can decide how you would like to manage the construction of your project. I recommend having a few general contractors bid on the project. Don't necessarily go with the lowest price. Consider their track record, the quality of their builds and your instinct on whether they're a good fit. For this example, let's say you select a well-known local builder with a strong track record who submitted a fixed-price bid of $570,000. You'll also need to put aside $30,000 as a contingency fund.

The final stage before you can begin your project is to arrange for construction financing. Basically, this is short-term financing where you pay interest on the funds, which are advanced to you by the bank as predetermined milestones of the project are completed.

Once you have your permits approved, construction financing in place and a plan to execute the construction of your project, you're ready to start building.

Step 3: Construction

During the construction phase, remember to maintain realistic timelines and budget expectations and have a contingency plan in the event your project goes over schedule or over budget, which is not uncommon in development. Developments can falter or fail for a number of reasons, and exhausting your cash reserves during the build is certainly one of them. You'll want to ensure you're able to comfortably fund the project between construction draws (payments from your lender), meaning that it might be necessary to carry the cost of the project up to the predefined stages like completion of the foundation, framing, electrical and plumbing rough-ins, and so on.

As construction begins to wind down, you'll need to start planning for the final stage: leasing the property and arranging for your take-out (long-term) financing.

Step 4: Lease up and apply for take-out financing

Depending on the size of your portfolio and your other obligations, you can choose to either self-manage your new multi-family building or hire a professional property manager. I recommend hiring a property management company so you can focus on growing your portfolio by investing in more development projects.

Regardless of who manages your property, I recommend that you do everything you can to elevate your suites above others in the market. By having a show suite, you will be able to tour prospective tenants through a finished space, helping to sell them on the dream of living in your building. Also, using a professional photographer and staging company is relatively inexpensive and the best way to position your property in the marketplace. Having professional photographs of a staged suite for online ads will ensure your suite shines above others. Remember, you have these photos forever and can use them again when vacancies come up.

Once you've leased a certain percentage of suites and have the signed lease agreements to prove it, you can apply for your take-out, or long-term, financing. This is where the bank's distinction of commercial versus residential multi-family financing is crucial. With commercial multi-family (five or more units), you're able to access CMHC-insured financing, which has very attractive rates and terms.

Property 1 after completion

Land and closing costs	$105,000
Direct costs	$600,000
Soft costs	$50,000
Total project cost	**$755,000**

Rent roll	$67,512
Operating expenses	$20,952
Net operating income	**$46,560**

As you can see from the table below, the CMHC-insured financing option is the clear winner if you're trying to build a large portfolio. With this project, you only leave $11,250 of capital in the deal, allowing you to take nearly all of your and your investor's capital and roll it into the next project. Additionally, you have created nearly $95,000 in equity, which will grow over time as the property appreciates in value and the mortgage is paid down. The positive cash flow of $14,000 per year also adds to your already strong returns for the property.

By continuing to follow this strategy and taking on a new project every other year, you can comfortably turn your initial $100,000 investment into $1 million within 10 years.

Traditional financing versus CMHC

	Traditional financing	CMHC-insured financing
Appraised value	$875,000	$875,000
Mortgage amount (75% LTV)	$656,250	$782,796.88
Interest rate	4.25%	2.75%
Amortization	25 years	40 years
Total yearly mortgage payments	$42,661.88	$32,288.29
Cash remaining in deal	$98,750.00	$11,250.00
Annual cash flow	**$3,898.12**	**$14,271.71**
Cash-on-cash return	**3.95%**	**126.86%**

Commercial multi-family: the 10-year strategy

TOTAL EQUITY VALUE AND CASH FLOW										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Project 1: Five-plex	$0	$67,750	$82,650	$97,535	$113,400	$129,300	$145,550	$162,200	$179,150	$196,500
Project 2: Six-plex	$0	$0	$0	$135,000	$158,900	$182,400	$206,400	$230,900	$255,950	$281,550
Project 3: Eight-plex	$0	$0	$0	$0	$0	$180,000	$211,867	$243,200	$275,200	$307,867
Project 4: 10-plex	$0	$0	$0	$0	$0	$0	$0	$135,500	$165,300	$195,070
Project 5: 12-plex	$0	$0	$0	$0	$0	$0	$0	$0	$0	$270,000
	$0	**$67,750**	**$82,650**	**$232,535**	**$272,300**	**$491,700**	**$563,817**	**$771,800**	**$875,600**	**$1,250,987**

HOW TO MAKE A MILLION ...

WITH SHORT-TERM RENTALS

Matthew Varga and Nikole Goncalves

Airbnb experts and Cashew Condos co-founders **Matthew Varga** and **Nikole Goncalves** explain how to use the considerable cash flow of short-term rentals to build equity

People usually don't think of short-term rentals as part of a long-term investment strategy. But when used properly, short-term rentals can actually help you reach your long-term investment goals a lot more quickly than a traditional buy-and-hold strategy.

With this strategy, the key is to use all of the extra cash flow you earn from your short-term rentals to pay down your mortgages as quickly as possible. By making sacrifices today and focusing on paying off your debts, you will soon be able to live off of your cash flow and have a strong real estate portfolio to fall back on.

Before you get too excited, there are two things you'll need to do to create a foundation for a solid real estate portfolio.

➜ **Get educated.** There are so many great short-term rental real estate education resources to choose from these days, from books to seminars to online courses, so make sure you take the time to learn the basic foundations of real estate investing. Short-term rental investing has many different factors that you need to consider beyond the traditional buy-and-hold method.

You'll need to learn how to analyze a property and determine if it will work as a short-term rental. You also need to know how to filter the right guests and pick a good property manager. Learning how to create an organized schedule to keep your properties clean and restocked between guests takes a little work, too.

➜ **Get clear on your 'why.'** Real estate investing is an amazing way to build your net worth, but there's a lot of work involved. Knowing why you're investing in real estate and what you're working toward will help you get through the difficult times when you feel like throwing in the towel. Are you working toward an early retirement? Spending more time with your family? Financial security? More time to volunteer for a charity you're passionate about? There will be low points throughout this journey, but there is light at the end of the tunnel if you stick with it.

Assuming you've educated yourself and have an inspiring goal to work toward, let's make a million dollars! The goal is to strategically purchase a portfolio of four short-term rentals and then focus all of your energy on paying down the mortgages as quickly as possible. Since short-term rentals can be more work than a traditional buy-and-hold investment, you won't be looking to build a large portfolio with this plan. By the end of the 10-year period, you will have a total net worth of well over $1 million, with four properties on their way to being completely paid off.

KEY ASSUMPTIONS

- Purchase price of $500,000
- Down payment of $100,000 for your first property
- Annual appreciation of 5% over 10 years
- Mortgage rates of 3% with 30-year amortization
- Average annual principal pay-down of $8,232
- Ability to pay down mortgage by 15% annually
- Occupancy rates of 80% for rental properties
- Average daily rental rate of $175
- Monthly carrying costs of $2,261

Step 1: Make your first purchase

During the first year of this plan, you'll use your $100,000 to purchase your first short-term rental. It needs to be in a community that has a large number of visitors, in a safe, convenient area that is close to transit. You will furnish your rentals and take professional high-quality photos to help attract renters. (Don't skimp on this step – photos are everything. They will be key in having your space rented out as much as possible.)

You'll also be looking for a property manager who specializes in short-term rentals. You'll work with your manager to create a system for how you want your properties to be managed. You'll also be doing a lot of research to help determine what amenities work best for your guests and what the competition is offering. Focusing on how you can make your home stand out from the crowd will help you achieve the highest occupancy rate possible.

If you can maintain an 80% occupancy rate and average $175 a day, after all of your monthly costs, you should have excess cash flow each year of $23,946. You will use this surplus to accelerate your mortgage pay-down every year; combined with your monthly principal payment of roughly $8,232 a year, you will be paying your mortgage down by $32,196 each and every year, supercharging your equity build-up.

Sample short-term rental purchase

Purchase price	$500,000
Down payment (20%)	$100,000
Mortgage amount	$400,000
Total rent collected	$4,258
Mortgage ($400,000 at 3% with 30-year amortization)	$1,687
Total monthly carrying cost (including mortgage)	$2,261
Positive monthly cash flow	$1,997
Total monthly debt pay-down (including cash flow and principal payments)	**$2,683**

Step 2: Purchase your next rental

At the beginning of Year 3, you will have enough equity built up to allow you to purchase your second short-term rental. The setup for your second property will go a lot more smoothly since you already have your systems in place and have determined what type of property does the best for your specific market.

PRO TIP

See if you can get your second rental in the same building as your first. This can help save on management costs, and you'll benefit from already having a relationship with the building manager and other owners in the building.

Step 3: Purchase again — and again

At the start of Year 5, you'll be ready to pull out equity from your first two rentals and pick up your third and fourth property. By now, you should have a solid understanding of your market and can easily purchase your final properties in a key location to maximize your occupancy rate. At this point, you'll have perfected your systems and your marketing strategy, and you'll know exactly how you need to design your rental to attract the most attention. Over the next five years, you will continue to put all of your focus on paying off your mortgages as quickly as possible.

The short-term rental strategy can be more work than your traditional buy-and-hold, but once you get past the initial setup and perfect

5 ways to profit from short-term rentals

If this strategy is a little more than you're willing to take on, but you're still interested in short-term rentals, there are several ways to maximize your profits. Here are five of my favourites:

1. Outsource. Outsourcing to the right people can drastically improve your occupancy rate and the nightly rate you can charge. If you don't have an eye for decorating, hire an interior designer. If you're not good with a camera, hire a professional photographer.

2. Run it like a business. Whether you own one rental or 10, you should always run your units professionally. You are competing against hotels, so consider the needs of the people who will be renting your property. An extra toothbrush in the bathroom, coffee pods in the kitchen and sparkling water in the fridge are just a few ways to show your guests they're important to you.

3. Be creative. The properties with the highest occupancy rates are those that are well-decorated and professionally photographed. While you don't want to go too wild with your design features, it's important to use your creativity to stand out. Is your rental near a beach? Why not add some tiki torches or a shiplap feature wall, or even consider using local artwork that's reflective of the area?

4. Use dynamic pricing. Are there any big events that draw large crowds to your area? If so, you should be raising your rates when the demand is high to take advantage of the increased demand and lower supply. Knowing what's happening in your community is a key part of your pricing model.

5. Implement systems and automation. Ensuring you have proper systems in place is vital for your rental. Have cleaners ready to do their thing after each guest. Have an automated email responder for when guests book your rental. Look into setting up a smart lock for your arriving guests. Set your property up with home temperature automation and motion sensors on the lights to save on utilities, and get a robot vacuum to help keep the place tidy. All of these little automation tips can help you save hours of valuable time and make the experience a smooth one for your guests.

> You will continue to put all of your focus on paying off your mortgages

your systems, things can run on autopilot with very little involvement from you. After 10 years, you will have a net worth of more than $1 million and average annual rents of over $200,000.

A few short years later, you will have your first rental paid off completely, and you can then snowball your rental income and use the cash flow from your first free-and-clear property to pay off your other properties twice as fast. This is the great thing about real estate – you can make decisions to help you achieve your goals faster or slower based on your own life circumstances.

No one said making a million was going to be easy. It's going to take hard work, and you will be forced out of your comfort zone on many occasions. However, when you look back 10 years from now, you will thank yourself for taking the steps needed today to create an amazing future for you and your family tomorrow.

Short-term rental portfolio

	End of Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Property 1										
Market value	$500,000	$525,000	$551,250	$578,813	$607,753	$638,141	$670,048	$703,550	$738,728	$775,664
Additional cash flow	$23,964	$23,964	$23,964	$23,964	$23,964	$23,964	$23,964	$23,964	$23,964	$23,964
Mortgage balance	$367,804	$335,608	$303,412	$271,216	$239,020	$206,824	$174,628	$142,432	$110,236	$78,040
Equity available	$132,196	$189,392	$147,838	$207,597	$168,733	$231,317	$295,420	$361,118	$428,492	$497,624
Equity pulled out to invest			$100,000	$100,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000
Property 2										
Market value			$500,000	$525,000	$551,250	$578,813	$607,753	$638,141	$670,048	$703,550
Additional cash flow			$23,964	$23,964	$23,964	$23,964	$23,964	$23,964	$23,964	$23,964
Mortgage balance			$367,804	$335,608	$303,412	$271,216	$239,020	$206,824	$174,628	$142,432
Equity available			$132,196	$189,392	$147,838	$207,597	$268,733	$331,317	$395,420	$461,118
Equity pulled out to invest					$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
Property 3										
Market value					$500,000	$525,000	$551,250	$578,813	$607,753	$638,141
Additional cash flow					$23,964	$23,964	$23,964	$23,964	$23,964	$23,964
Mortgage balance					$367,804	$335,608	$303,412	$271,216	$239,020	$206,824
Equity available					$132,196	$189,392	$247,838	$307,597	$368,733	$431,317
Property 4										
Market value					$500,000	$525,000	$551,250	$578,813	$607,753	$638,141
Additional cash flow					$23,964	$23,964	$23,964	$23,964	$23,964	$23,964
Mortgage balance					$367,804	$335,608	$303,412	$271,216	$239,020	$206,824
Equity available					$132,196	$189,392	$247,838	$307,597	$368,733	$431,317

Total portfolio size	**$2,755,496**
Total debt owing	**$934,120**
Total net worth	**$1,821,376**

HOW TO MAKE A MILLION ...

WITH SAVVY RENT-TO-OWN DEALS


Jon Simcoe

Rent-to-own aficionado **Jon Simcoe** outlines how to generate $1 million in profits by mastering the art of the RTO deal

CREW has been nice enough to let me throw a bit of a wrench into the proceedings. The strategy I'm going to share with you isn't one focused on equity, but cash. I figure a million dollars is a million dollars, and that many *CREW* readers, like me, would appreciate an approach that provides a path toward major liquidity – in far less than 10 years. I've found that in the rent-to-own space.

No two RTO deals are identical. When set up the right way, the risk of failure on the part of the buyer can be significantly reduced. Not all RTOs work out, but you can have a higher closing ratio when you're careful about who you work with. A big part of that is getting properly educated.

Step 1: Prepare yourself

In order to turn your initial $100,000 investment into $1 million through rent-to-owns, you will need to develop a few skills. Prepare to invest about $25,000 into sales and RTO training courses, a mentor/coach and marketing.

You will need:

SALES SKILLS. Take a sales training course. Travel if you have to. Sales skills are going to improve your closing ratio. In-person training is best, as a good sales trainer will have you doing exercises that will push you out of your comfort zone. That's where the real learning begins.

LEASE OPTION (AKA RENT-TO-OWN) TRAINING. This can be done online or in-person, but make sure your teacher is accessible for future questions. Skipping this training is a mistake, as a good course will guide you into more successful deals and help you avoid some of the more common rookie mistakes.

COACHING. Having a mentor who has a lot of experience with RTO deals will help you ensure that you're putting the highest-quality deals together. Much of the success of the rent-to-own strategy comes from placing the correct buyer into a property they desire and can afford. Some applicants look good on paper but are not likely to succeed. A mentor will help you select the correct applicant and be able to go over how to handle each situation.

A PROPER WEBSITE AND MARKETING. Get professional headshots taken and use them on your website, which will be designed by a professional. The site will require an application page for buyers and sellers and will collect information about either the person who wants to buy or the property a seller wishes to sell.

Have two types of business cards printed on good card stock – one for sellers and one for buyers. Include your website and email address on the card in an easy-to-read font. This must be the same as your website domain (yourname@yourdomain.com), not a generic Hotmail or Outlook email address. Include a call to action on the back of your card and direct people to the buyer or seller application pages of your website.

> Not all RTOs work out, but you can have a higher closing ratio when you're careful about who you work with

Step 2: Put a deal together

In order to sell homes to your RTO tenant-buyers, you're going to have to find them first. One way of acquiring them is to enter into sandwich lease agreements with motivated

sellers – but not so motivated that they can't wait a few years to sell. (A sandwich lease is essentially when one party leases you the property they've leased to someone else.) You will offer to rent their property for four years (or less). This is done with a normal rental agreement, but make sure the lease allows you to sublet the property.

You and the sellers will have an 'option to purchase' agreement for the end of your lease term. It will include the sale price and usually some upfront money for the seller. When negotiating the price, use your sales skills and remind them of the benefits: their mortgage gets paid down the entire time, and they'll save money by not using a Realtor to close. If you can help the seller avoid mortgage pre-payment penalties with the timing of your deal, they will appreciate that as well.

Now you have an 'equitable interest' in the property and are free to market it for rent/sale. Pre-screen potential tenant-buyers until you've found one who's a good fit. Because of the training you received prior to starting out, you should be comfortable doing this.

Consult with your coach before signing any paperwork. You will now be subletting the property to the new tenant-buyer for a higher rent price and giving them the option to purchase the home at a higher price over the next three years.

The tenant-buyer will give you a relatively substantial, mostly non-refundable deposit that will be credited toward their future purchase of the property. They will also sign a maintenance agreement, so you won't be getting calls or unexpected bills. The property owner will also not be on the hook for any maintenance costs.

PRO TIP

You should typically aim for 90% of the property's value from the seller and 105% of the price to the tenant-buyer.

Case study: The Pierogi House

Here's an actual deal I worked on that will help explain how RTO deals operate. This story comes from a deal I affectionately refer to as The Pierogi House. It's not as common as other lease option deals, but it is repeatable with the website and marketing systems you should have developed by this point.

It was Christmas Eve when my seller hotline got a call. It was a retired couple who owned, mortgage-free, a property they rented out. I went to the property and discovered it was a nice four-bedroom, three-bathroom home with a two-car garage. Considering it was used as a rental property for over 10 years, it was in excellent condition, with recent updates. After meeting the sellers, I learned that:

- They liked receiving rent every month, but didn't like looking after the property
- They were tired landlords and wanted their house sold – eventually
- They had no immediate need for cash

Paperwork was drawn up, and the sellers were given $100 and, as a further sign of appreciation, a bag of delicious pierogis.

Seller agreement	
Option to purchase	$100 + pierogis
Rent	$2,250/month
Sale price	$480,000
Property value	$550,000

To market the property, we placed a reflective 'For Sale – No Bank Qualify' sign in front of the property, made videos and used furniture to stage the home. We drove traffic to the buyer section of the website. It took several months to find the right qualified rent-to-own buyer. Once we did, the agreement we came to looked like this:

Tenant-buyer agreement	
Option to purchase	$20,000
Rent	$2,750/month
Property value (today)	$550,000
Sale price (three years appreciated)	$609,000

The tenant buyer has the next three years to purchase the property at an agreed-upon price higher than today's. To calculate this, use local appreciation rate averages in your area. The tenant-buyer has also agreed to pay $450 more per month for rent, which will be added to their initial $20,000 option consideration. This will ensure that they have enough of a deposit that they will be able to close on time. They get a home that they can treat as their own. Their kids can make friends with the other kids in the neighbourhood. Nobody needs to move.

The tenant-buyer is allowed to treat the property as if it's their own. They can paint, make property improvements, etc. But if the value of the home becomes greater than the agreed-upon sale price, in this case $609,000, you must still honour the pre-agreed sales price.

Your profits and costs	
Setup (rent, marketing, etc.)	–$20,000 + pierogis
Buyer's upfront option	$20,000
Rent difference ($2,750 – $2,250) x 36	$18,000
Sales difference ($609,000 – $480,000), less upfront option	$109,000
Total profit	**$127,000**

When your tenant-buyers complete their purchase, you will receive the difference, and the property sellers will get the price they were promised.

Step 3: Scale up and move on

Not every seller is going to accept a bag of pierogis to get your rent-to-own deal started, so you're going to use the rest of the $75,000 you have left to set up four more deals. Most sellers require some 'moving on' money, so stretch your remaining $75,000 and use it in place of the pierogis. It's not uncommon to give a seller $20,000 for the option to purchase their property.

With an average deal returning $100,000 every three years in profit, and five deals going at once, you should have accumulated $500,000 in three years. Repeat the cycle again, and you'll have $1 million or more thanks to this strategy, which is basically a cash-generating system.

The situation faced by the owners of the Pierogi House is a fairly common one, making rent-to-own an exciting option for investors. It's becoming harder for people to sell their properties; most Realtors and mortgage brokers agree that the tougher mortgage qualification rules have slowed sales activity in almost every market in Canada. By stepping up and bringing sellers and buyers together, you're not only generating a healthy profit, you're also solving a problem for each party – one that could have life-changing effects. It's a win for everyone involved. ■

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YOUNG GUNS

Meet the next generation of
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YOUNG GUNS 2019

Real estate can be a tough business no matter what age you are, which is why making a splash when you're young is worthy of celebration. *Real Estate Professional* spotlights 50 agents, all 35 or younger, who have already proven that they're in it for the long haul

OTHER THAN at the height of the 2016 market, has there ever been a better time to be young and in real estate? With technology transforming the industry both rapidly and radically, it's the social-media-savvy young agents who are best poised to attract clients and market their properties in the most innovative way.

But real estate is more than what pops on Instagram. To last in this business, agents must build something far more impressive than a host of followers: a reputation. And no reputation takes shape without hard work, intelligence and the determination needed to fight through the inevitable failures.

That combination is on full display among this year's Young Guns. These 50 agents aren't just up-and-comers – they've fully arrived. Many of them are already established as their brokerages' top producers. Their age hasn't prevented them from delivering for their clients. If anything, it has forced them to prove themselves, while also proving that youth comes with a few advantages of its own.

YOUNG GUNS 2019

YOUNG GUNS INDEX

FRANCIS LAVOIE

GROUPE LAVOIE

Montreal, QC

Age: **35**

Working alongside his wife, Audrey, at the brokerage that bears his name, Francis Lavoie's success and renown in the Montreal market have allowed him to develop more aggressive, more daring and more effective strategies to better meet the needs of the city's recently overwhelmed sellers and buyers. An active member of the community, Lavoie also helps organize an annual fundraiser for Opération Enfants Soleil and helps fund the Anna Laberge Foundation.

CHRIS COSTABILE

REVEL REALTY

Brantford, ON

Age: **35**

Chris Costabile is the adaptable, creative and fearless Realtor leading Revel Realty's first foray into expansion outside the Niagara Region. Driven by an outgoing, youthful, hands-on approach, Costabile is known for the humour of his marketing campaigns and for making familial connections with his stable of clients. An expert problem solver with a sincere concern for the people of his community, Costabile has made real estate a home-grown enterprise and has been recognized for his efforts with multiple awards and accolades.

JEREMY ZDRILL

ROYAL LEPAGE PRIME REAL ESTATE

Winnipeg, MB

Age: **34**

Reaching the level of success Jeremy Zdrill has with Royal LePage is no walk in the park. But, only six years into his career, Zdrill has already taken home Chairman's Club, Red Diamond and Rising Star honours from the company. "It's been a tough road," he says, "but every bump in the road is an opportunity to gain insight and improve my business."

That ability to learn from past mistakes has made Zdrill a valuable source of insight for his fellow agents, providing a humble, hard-working model for them to follow. "Being a top producer isn't about just the numbers we put up," he says. "It's about improving each other and the industry we represent."

TAYLOR MUSSEAU

CENTURY 21 ASSURANCE REALTY
Kelowna, BC
Age: **28**

Kelowna native Taylor Musseau began her real estate career at the young age of 20. "I got into real estate right after the market crashed," she says. "I figured if I could make it when the market was in a crisis, I would be in good shape for when it picked back up."

Not only did Musseau survive the down market, she thrived, landing in the top 2% of Century 21 agents across Canada. Today, she has shifted her focus to the pre-construction market, working with developers to help them bring their visions to life in the most efficient and profitable way possible. She works as a consultant and director of sales for multiple developers across the country, leveraging her eight years of experience to successfully take projects to market.

JORDYN REID-STEVENSON

RE/MAX ABSOLUTE REALTY
Ottawa, ON
Age: **29**

At 22, Jordyn Reid-Stevenson was already plying her trade among Ottawa homebuyers; by 28, she had her broker's licence, bringing a new level of authority to her growing number of deals. Reid-Stevenson, who has always had a penchant for the marketing and advertising side of the industry, uses the latest and greatest in technology and social media to capture her audience and build her clientele.

Her career has grown in large part due to the long hours she has devoted to working with landlords and tenants, a savvy move in a city currently overrun with real estate investors, and one she says has given her "the opportunity to grow, learn and create relationships that will create clients for life."

MATTHEW ABLAKAN

MILLENNIAL'S CHOICE REALTY
Toronto, ON
Age: **27**

Matthew Ablakan is the founder and owner of Millennial's Choice, a real estate, mortgage, insurance and education brand that has proven to be a unique addition to the GTA real estate landscape, one focused on clients' education and financial literacy. "Realtors and brokerages dedicated to educating their clients are the future of real estate," he says.

Since its inception in 2016, Millennial's Choice has helped "many individuals with their real estate, mortgage, insurance and investment needs," Ablakan says, "and we continue to grow exponentially."

YURI SMITH

GRASSROOTS REALTY GROUP
Grande Prairie, AB
Age: **34**

Yuri Smith has made the most of his six years in the industry. The third-generation Realtor is one of the youngest broker/owners in Alberta, steering the ship for Grassroots Realty Group. Growing from five to 40-plus agents in Grande Prairie and Calgary in under two years, during the depths of the Alberta energy crisis, speaks volumes about Smith's vision for growth. "My mentality is to stay adaptable and foster a culture of embracing change as opposed to resisting it," he says.

In addition to being a perennially top-producing agent at Grassroots Realty Group, Smith also owns a thriving property management company and a real estate marketing business.

YOUNG GUNS 2019

STEVE ALEXOPOULOS

RE/MAX CORE REALTY
Ottawa, ON
Age: **34**

Steve Alexopoulos came roaring out of the gate six years ago, winning Rookie of the Year at Re/Max Core Realty, and he's shown no sign of slowing down – just like the current Ottawa market.

"When it's a seller's market," he says, "agents need to go all in with marketing and have strong prospecting to supplement that marketing. It's very simple: During a seller's market, agents need to be focused on sellers to be successful."

Alexopoulos also feels agents need to be comfortable with being uncomfortable. "Being willing to get uncomfortable is the most important thing a successful agent must adopt," he says. "Over time, uncomfortable tasks will start to feel comfortable and become second nature."

MICHAEL ST. JEAN

ST. JEAN REALTY
Hamilton, ON
Age: **34**

As the founder and team leader of Hamilton's St. Jean Realty, Michael St. Jean is dedicated to "helping Hamilton grow" by leveraging his expertise in buying, selling, investing in and developing local real estate. Having sold over 3,000 homes and represented more than 20 developments, St. Jean's success has earned him plenty of accolades from media outlets, including *The Globe and Mail* and *CHCH Morning Live*. He has also been endorsed by Scott McGillivray, host of HGTV's *Income Property*.

BRADY THRASHER

RE/MAX PREFERRED REALTY
Windsor-Essex, ON
Age: **32**

Brady Thrasher has become a fixture in *REP* over the past several years. The 32-year-old leads a top-producing team in Windsor, Ontario, currently one of the country's most fervent markets. Yet somehow Thrasher has found the time to further grow his business, most notably through his recent purchase of two Re/Max brokerages in South Florida. A Re/Max Lifetime Achievement Award recipient, Thrasher has been recognized among *REP*'s Top 100 Agents, and his team was one of *REP*'s Top Teams.

BRYAN MASSE

ROYAL LEPAGE PRIME REAL ESTATE
Winnipeg, MB
Age: **32**

Bryan Masse's biggest piece of advice for young Realtors? Take risks, try something different and, most importantly, stand out from the crowd. It's a formula that seems to be working: In just four years, Masse has already won Bronze and Silver Medallion awards from WinnipegRealtors, while also landing Diamond and Director's Platinum recognition from Royal LePage.

Along with his newly formed team, Masse prides himself on "not just selling homes and winning awards, but providing professional and strategic marketing plans that sell clients' homes for top dollar."

KYLE JOHNSON

EXIT REALTY ASSOCIATES
Moncton, NB
Age: **31**

Since winning Exit Realty's Canadian Rookie of the Year Award in 2017, Kyle Johnson has been shaking up the Moncton real estate market, already achieving Opal, Gold, Diamond and Platinum level distinction with the company. "Never would I have thought I'd be able to touch so many people and be a part of so many of their stories so quickly," he says.

Johnson believes his rapid ascent to the top of the Moncton market comes down to his willingness to tell it like it is. "Honesty is the most important characteristic for a successful agent to have," he says. "If you're not authentic, clients will see right through you and move on to the next available agent."

DYLAN SUITOR

KELLER WILLIAMS SIGNATURE REALTY
Hamilton, ON
Age: **29**

Dylan Suitor had been picking up properties for himself for almost a decade when he decided in 2016 to make a career out of helping others do the same. Since then, his analytical and principled approach to finding his clients the right property has helped him become Keller Williams Signature Realty's Rookie of the Year, as well as its number-one agent for units sold.

"I love the coaching aspect of dealing with clients," Suitor says. "I take my clients through a thorough needs analysis to determine what's the best plan for them for the next one, three, five and 10 years. Additionally, my team and I do extensive market analysis to ensure we know the exact value of the homes in our market."

ROXANNE JODOIN

ROYAL LEPAGE PRIVILEGE
Montreal, QC
Age: **33**

Roxanne Jodoin knows that buying or selling a home is one of the biggest decisions anyone can make, which is why she has dedicated herself to guiding clients through what can be an arduous process. "When you work with me," she says, "you can count on personal, attentive, patient service and excellent knowledge of the area."

Jodoin is respected for her negotiation skills and expert selling strategies, both of which are undoubtedly getting a thorough workout in Montreal's white-hot market.

BRANDON WASSER

ROYAL LEPAGE YOUR COMMUNITY REALTY
Toronto, ON
Age: **35**

According to Royal LePage's Brandon Wasser, there's only one factor standing in the way of an agent's success. "It's always been my belief that the biggest challenge facing Realtors, in my market or any, is themselves – struggling to find innovative ways to grow their business or just a lack of self-motivation," he says.

Neither has been the case for Wasser, a multi-award winner with his finger on the pulse of the industry. "As the real estate sector is rapidly growing online, we are working hard and intend to stay ahead of that curve in order to give our potential and current clients what they ask for, effectively and efficiently," he says.

YOUNG GUNS 2019

ROYCE FINLEY

ROYAL LEPAGE PRIME REAL ESTATE

Winnipeg, MB

Age: **33**

Just five busy years into his real estate career, Royce Finley has already received his fair share of recognition, including Royal LePage's Rising Star and Chairman's awards. Finley loves playing the part of the middleman, bringing two parties together to accomplish a shared goal. He attributes his success to his resilience, patience and creative problem-solving.

"My advice to other Realtors would be to aspire to approach difficult deals that may be on the verge of dying from a different perspective," he says. "Find a suitable solution rather than walking away. Even when you think you cannot succeed or are drowning in failures, if you lead with passion, determination and drive, you will be able to do anything."

JOHN GULIKER

ROYAL LEPAGE SOUTH COUNTRY REAL ESTATE SERVICES

Lethbridge, AB

Age: **32**

John Guliker knows that to survive in real estate, you must have one foot in the present and one in the future. What that future looks like is anybody's guess, but Guliker is prepared for it. "Some people suggest that there's no future for agents in the industry, but I plan on fighting this idea by providing superior service to my clients," he says. "There's always going to be a need for a guide through the process."

Guliker has already provided that service for hundreds of clients, picking up Royal LePage Diamond, President's Gold and Director's Platinum awards along the way.

MITCHELL DESLIPPE

RE/MAX PREFERRED REALTY

Windsor, ON

Age: **28**

Mitchell Deslippe's first six years in the business have firmly established him as one of Re/Max's strongest young agents. Already a Re/Max Hall of Famer, he has also landed the number-two spot in Re/Max's 30 Under 30 and its Diamond Sales Award.

Although he's running a modern, adaptive business, Deslippe still feels that success derives from old-fashioned hard work. "If you're not willing to push, grind and work tirelessly for your clients," he says, "you will never make it. If you're looking for a 9-to-5 job, being a Realtor isn't for you. Your clients are your livelihood, and you need to be available for them wherever they need you."

EUGENE MEZINI

ROYAL LEPAGE REAL ESTATE PROFESSIONALS – INSIDER CONDOS

Toronto, ON

Age: **30**

Over the last nine years, Eugene Mezini has racked up an impressive collection of awards for his outstanding sales performance. Last year was no exception, as he claimed a spot in Re/Max's Chairman's Club despite his young age. As an investor himself, Mezini puts his money where his mouth is every day by shepherding his clients through Toronto's pre-construction condo market. With more investors than ever considering condos their best investment option, Mezini's sales should be heading in the same direction as the properties he's built his business around: sky-high.

ANDREW BAIN

ROYAL LEPAGE KEY REALTY
Sarnia, ON
Age: **34**

Andrew Bain's last name has been synonymous with Sarnia area real estate for over 40 years. Following in his father's footsteps adds pressure to an already intense career, but Bain says maintaining the family business has taught him the importance of "loyalty, dedication and integrity." With numerous awards and accreditations under his belt – including placing in the top 2% of more than 18,000 Royal LePage agents in Canada and being named one of the company's 35 Under 35 – Bain is quick to attribute his success to the close relationships he holds with his clients, as well as his strong ties to local community groups.

TREVOR CLARK

RE/MAX CORE REALTY
Ottawa, ON
Age: **30**

Still less than a decade into his career as an agent, Trevor Clark has already compiled a healthy list of awards and accolades. He's been inducted into the Re/Max Hall of Fame and, at the start of 2019, received the company's Top 30 under 30 Award.

Clark prides himself on having built his business on the simple tenet of "just being a regular guy … I've steered away from creating the 'perfect salesman' persona that so many in the business feel they're expected to live up to. I make mistakes – I spill coffee on myself every day just like everyone else. Everyone else does that too, right?"

MATHIEU BEDARD

ROYAL LEPAGE KELOWNA
Kelowna, BC
Age: **34**

When Mathieu Bedard began his real estate career in 2012, he was largely unaware of the challenges faced by novices just starting out in the business. New to Kelowna and starting from scratch, Bedard quickly found his footing. Within 18 months of starting his career, he won the President's Gold Award from Royal LePage, the first of many accolades to come. In 2018, he received the company's Red Diamond and Chairman's Club awards.

Bedard admits that success like his doesn't happen in a vacuum. "In order to achieve your passions in work and in life, surround yourself with great mentors, coaches, team members and partners," he advises his fellow agents.

SARA LAPORTE

KELLER WILLIAMS LIFESTYLES REALTY
Windsor, ON
Age: **32**

Although she's only been a Realtor for three years, Sara LaPorte has already made a considerable splash at Keller Williams. This year, she has yet to move outside the company's national top eight for units sold in any month.

But at the end of the day, LaPorte knows it's not about the recognition or the commissions – it's about the relationships a Realtor builds with clients. "One of the moments that really stands out to me is when I showed up with a closing gift, and the clients had a thank you gift for *me*," she says. "It really hit me that I made a great impact on their lives, and that is my goal."

JAYMIE WALKER
CENTURY 21 DOME REALTY
Regina, SK
Age: **33**

After starting out in an administrative capacity at the ripe old age of 19, Jaymie Walker was urged by her Century 21 colleagues to get licensed and get in the game. Almost a decade and a half later, she is a consistent top producer who has earned Masters or Centurion level achievement every year. During the extended lull in the Regina market, Walker has seized the opportunity to double down on her business, employing dedicated assistants, starting new marketing endeavours and refining her processes. As a result, she's gained a massive amount of market share – halfway through 2019, she has already surpassed her 2018 sales totals.

KELSEY BELLUZ
RE/MAX GENERATIONS REALTY
Thunder Bay, ON
Age: **29**

Thunder Bay's market doesn't often make the news, but Kelsey Belluz has been attuned to its ups and downs for the past 10 years. Although she has been recognized for her performance locally or nationally every year she's been selling, 2018 was particularly momentous for Belluz. She received Platinum Club honours from Re/Max and was the top-producing agent in her office, all while becoming a new mom.

"I didn't miss a beat," she says. "I sold a house 12 hours after I delivered my daughter. People say I'm crazy for doing that, but I think it shows my clients and colleagues exactly how hard of a worker I am."

THOMAS FARIS
ROYAL LEPAGE FIRST CONTACT REALTY, FARIS TEAM
Barrie, ON
Age: **31**

There's no question that Thomas Faris loves being a Realtor. "I get to meet new people all the time, build great relationships and be involved with a very big part of people's lives," he says. "I feel honoured that my clients trust me to do a great job for them."

That love for what he does, combined with his trustworthiness, hard work and commitment to excellence, has been a driving force in Faris' success, leading him to achieve top sales and top sales volume for Royal LePage's number-one team yet again in 2018.

MICHAEL GROCHOLSKY

ROYAL LEPAGE NRC REALTY
Welland, ON
Age: **34**

Hailing from a small town, Michael Grocholsky learned at an early age that success depends on strong, trusting relationships. It should come as no surprise, then, that people are Grocholsky's top priority.

"At the end of the day, your clients won't remember the details of the deal, but they will always remember how you made them feel," he says. "You need to understand what's specifically and uniquely important to them and make delivering on it your mission. There is no 'one size fits all' approach that works in this business."

BRITTANY BEKKERS

EXIT REALTY MATRIX
Ottawa, ON
Age: **25**

Brittany Bekkers' passion for real estate stretches back to before she was a licensed agent. Her initial role in administration gave her a wide range of experience that still influences her success. Bekkers' growing expertise and approachable demeanour earned her the coveted Exit Realty Rookie of the Year Award for Eastern Ontario in 2017 and a Bronze Award for production in 2018.

Although her clientele consists mainly of first-time buyers, government relocations and millennials, Bekkers approaches every buyer as if she's building a lifelong relationship. "I enjoy guiding my clients through the real estate transaction to ensure they have a smooth and stress-free experience," she says. "I want them to know, above all, that I have their best interests at heart."

RON SALLY

RE/MAX MILLENNIUM REAL ESTATE
Woodbridge, ON
Age: **26**

You think juggling work-life balance is hard? Try being the broker of record at one of the fastest-growing brokerages in the GTA. Re/Max Millennium's Ron Sally says his mission is to "engage agents to think successfully, grow productively and earn abundantly." If his first few years in the business are any indication, mission accomplished.

"One thing I've learned in my career is to provide value and authenticity," he says. "I encourage my agents to hold themselves in high regard and run their sales practice as a business. All agents have to constantly upgrade their skills and create a systemized approach to selling real estate."

ADRIAN JOHNSON

CENTURY 21 UNITED REALTY
Peterborough, ON
Age: **20**

Real estate is a complex game, but sometimes it pays to scale things back. "I'm learning that it's the simple things done right that have the largest impact in business," says Century 21's Adrian Johnson, who, despite being the number-one producer for his brokerage three years in a row, continues to assess and strengthen those core tenets of his business.

A Centurion and Double Centurion producer since 2015, Johnson says being a trusted partner for his clients quickly became his favourite part of the job when he started out five years ago. "I consider it an honour to be trusted with what, for most people, is the largest transaction they'll ever make," he says.

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ALEXANDRA DAIGLE

EXIT REALTY ADVANTAGE
Fredericton, NB
Age: **27**

When she first sought to break into real estate at the age of 21, a top producer suggested Alexandra Daigle was too young and should reconsider her choice of career. Six years later, Daigle has consistently proven her doubters wrong, developing an enviable skill set and professional sphere.

As a relocation expert who deals with a substantial number of military personnel, Daigle has developed strong bonds with many of the individuals and families who serve the country. "I work diligently every day to make their buying, selling or moving experience smooth and seamless," she says. "This allows them much-needed time to focus on themselves, their families and their careers."

RUSHDI RAUF

CENTURY 21 INNOVATIVE REALTY
Toronto, ON
Age: **26**

"The days of the real estate business being simply about showing homes and putting up signs is long gone," says Century 21's Rushdi Rauf. "The business requires individuality and character that stands strong."

It shouldn't come as a shock, then, that Rauf sees the overcrowding of the GTA market – and the willingness of many of the city's 50,000 Realtors to discount their services – as damaging to the industry. "To be a Realtor in one of North America's most active and competitive markets, one must have the right accountability and mindset," he says. Next up on Rauf's list of goals: establishing his own team or brokerage.

SAJEEV YOHANATHAN

ROYAL LEPAGE IGNITE REALTY
Scarborough, ON
Age: **34**

In Sajeev Yohanathan's relatively short three years in the business, he has already established himself as a major player at a franchise that consistently ranks among Royal LePage's top performers. "There was no question that the journey into real estate would require both hard work and determination," Yohanathan says, "but I never in my wildest dreams thought that I would be able to help so many amazing people and have such an impact on their lives."

Yohanathan's innovative thinking has made him the top producer at his brokerage and has earned him the Director's Platinum Award every year since he broke into the industry. "My mission is to provide an exceptional experience to my clients and stop at nothing to achieve it," he says.

JAKE EIVERS

CENTURY 21 PROFESSIONAL GROUP EIVERS REALTY
Brantford, ON
Age: **32**

"What I love most about real estate," says Century 21's Jake Eivers, "is that, for me, it's not a job but an all-encompassing lifestyle. The more I work on my abilities, discipline and work ethic, the better I can serve and the better I can do in the field."

Eivers' dedication to self-improvement has paid off in a big way for both him and his clients. He has been a Centurion-level producer since 2015 and launched his own team in January, far ahead of his own ambitious schedule. The team has allowed Eivers to achieve that coveted work-life balance, while also providing better service to his growing client base. "Being able to experience an abundance of both is my proudest feeling," he says.

MIKE CULLIS

ROYAL LEPAGE KEY REALTY

Sarnia, ON

Age: **35**

Mike Cullis brings a transparent approach to buying and selling real estate, putting a high priority on educating his clients about all aspects of their purchase and sale. "I'm their real estate coach," he says. "I give them advice regarding fair market value, legal issues, marketing strategies, timing, market condition and neighbourhood insights."

Cullis prides himself on his analytical approach to pricing, providing his sellers with as much information as possible to ensure they understand how he's deriving his numbers. He has a sale rate of more than 98% and a number of price reductions that falls somewhere between minuscule and invisible.

JAMES BOSCHMAN

ROYAL LEPAGE PRIME REAL ESTATE

Winnipeg, MB

Age: **29**

One of the primary challenges facing agents like James Boschman, known across Winnipeg for providing impeccable, professional service to his clients, is the growing prevalence of discount/disruptor brokerages. "The way I deal with it is to show the value that we bring to the table," Boschman says. "I show my clients the stats and that our average sale price is higher, our average DOM is shorter, and our level of overall service is better."

Boschman says differentiating himself depends largely on product knowledge: "Clients must have all the information they need to make an informed decision."

CAMERON VAN KLEI

CENTURY 21 CREEKSIDE REALTY

Chilliwack, BC

Age: **34**

At 34, Cameron Van Klei has already been a Realtor for 13 years. Not satisfied with his considerable success as an agent, Van Klei opened his own brokerage, Century 21 Creekside, in 2015 and soon found himself in charge of one of the company's top 30 offices. "Now that I'm a broker, my clients are the Realtors," Van Klei says. "My goal is to have relevant education for my Realtors to help with not only selling more homes, but also having a better overall life."

MANI BATOO

RE/MAX REAL ESTATE CENTRE

Mississauga, ON

Age: **33**

"There has never been a single moment in my career when I questioned my purpose or desire to become a Realtor," says Re/Max's Mani Batoo. Since launching his career at the age of 22, Batoo has thrived as an agent, leveraging his success to surround himself with like-minded professionals who have assembled their own collection of accomplishments in the field.

"I knew what I wanted to accomplish, so I got down to work and never listened to the naysayers," he says. Today, Batoo completes 75-plus transactions annually on his own and has developed strong relationships with more than a dozen of the top builders in and around the GTA.

CHARLES ZHANG

CENTURY 21 BAMBER REALTY
Calgary, AB
Age: **28**

Charles Zhang's experience as a real estate investor has been invaluable in attracting clients in the Calgary market, where he has helped buyers and sellers make informed decisions for the past six years – all while racking up an impressive collection of awards. "I take pride in my clients trusting my investment expertise," he says. "Finding them an investment that sets them up for the future is very rewarding."

With Calgary's market still largely stalled, Zhang says keeping sellers' expectations grounded in reality is the first step to making them lifelong clients. "Making sure their list price is in touch with market conditions is more important than ever," he says.

BRANDON POLSINELLO

RE/MAX REALTRON POLSINELLO REALTY
Newmarket, ON
Age: **30**

A seven-year industry veteran who has already achieved Diamond Award and Hall of Fame recognition from Re/Max and was ranked number one in its 30 Under 30 in 2018, Brandon Polsinello is in real estate for the long haul.

"A successful agent has to realize that this is a marathon and not a sprint," he says. "There are a ton of agents who work really hard and have great years and think it's going to go on forever without the same amount of effort. But once that sled stops, it's going to take more than you realize to get it going again."

SEBASTIEN ABRAN

ROYAL LEPAGE PATRIMOINE
Repentigny, QC
Age: **35**

Sebastien Abran has made the most of his first 11 years as an agent, winning Royal LePage's Diamond and Director's Platinum awards three times each and its President's Gold Award twice. Currently, Abran is using his experience to guide clients through Montreal's unprecedentedly hot market.

"For the past two years, when representing a seller or a buyer, you've had to be extremely proactive and available; otherwise the customers are penalized," he says. "We must establish a strategic plan to match sellers with buyers and stay in constant contact with our customers, and they must trust us."

TANYA MYRE

EXIT REALTY MATRIX
Hawkesbury, ON
Age: **30**

Tanya Myre's career has been on an upward trajectory since she joined Exit Realty eight years ago. She has steadily improved her performance each year, advancing from a Bronze designation in 2015 to Silver in 2016 and Gold in 2017. In 2018, she closed more transactions than any Exit agent in Eastern Ontario.

Known for her empathy, Myre is happy to take the time to listen to her clients. "When I first meet people, I get most excited about hearing their stories, their goals and their needs," she says. "I love knowing that, in the end, I become a part of those stories."

MICHAEL CHRISTIE

ROYAL LEPAGE ROYAL CITY REALTY
Guelph, ON
Age: **30**

For Michael Christie, a member of Royal LePage's top 1% for the past two years, communication is the key to success. "One of my team's most important values is to be committed to an extremely high standard of communication with both clients and colleagues," he says. "Having open communication, honesty and building trust with clients is what makes the difference."

A lifelong resident of Guelph, Christie says staying loyal to his hometown has allowed him to create, develop and maintain relationships throughout the community – and it hasn't hurt his business, either.

JORDAN BOYES

BOYES GROUP REALTY
Saskatoon, SK
Age: **34**

Arguably the hardest-working Realtor in Saskatoon, Jordan Boyes' business has grown at a blistering pace since he first broke into the industry nine years ago. He has been the city's top-producing agent three times and has grown Boyes Group into a 70-agent juggernaut in only four years.

Still a relatively new business owner, Boyes says he is constantly learning – improving his staffing techniques, solidifying his employees' understanding of their roles – but enjoying every minute. "I love the daily challenges," he says. "No week is like another. It keeps things exciting and fresh."

JOEL FARIS

ROYAL LEPAGE FIRST CONTACT REALTY, FARIS TEAM
Barrie, ON
Age: **34**

No matter what else changes in real estate, one thing remains constant: the good feeling Joel Faris gets when helping people buy or sell a home. A top Realtor on the Faris Team for nine years, Faris' genuine enthusiasm for guiding people toward achieving their real estate goals, along with his professionalism, dedication and skill, continues to attract clients. Faris is known for his keen eye, a natural by-product of selling over 800 homes. He has also earned many specialized designations – Certified Luxury Home Marketing, Certified Negotiation Expert and Pricing Strategy Advisor, to name a few – ensuring his clients' diverse needs are always met.

MICHAEL JAWANDA

RE/MAX REAL ESTATE CENTRE
Toronto, ON
Age: **35**

In 2018, Michael Jawanda was ranked 46th of all Re/Max agents in Canada. Never one to rest on his laurels, Jawanda kicked his business into an even higher gear this year; as of April 1, he was the company's number-one agent.

Jawanda puts his success in the Toronto market down to helping clients adapt to new mortgage rules and obtain financing. "The best way to help them is through education and exposing them to financing avenues other than the major six banks," he says. "Through education, we can continue making homeownership a reality."

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EVAN TANG

RE/MAX CENTERPOINT REALTY

Markham, ON

Age: **32**

Evan Tang has been working his magic in the GTA for the past nine years. In a rapidly changing and cutthroat environment, Tang believes in being different rather than following the tired clichés assumed to pave the way to success. Rather than paying for online ads to attract more leads, Tang instead writes blogs on Weibo, Zhihu and WeChat to generate followers more naturally and informatively. Instead of cold-calling and door-knocking, he gives speeches and presentations at universities and visits real estate brokerages in other countries to receive leads by referrals. His efforts earned him Royal LePage's Diamond Award in 2018.

CHANTAL ALBERT

EXIT REALTY ASSOCIATES

Moncton, NB

Age: **34**

Millennials don't often get credit for their handling of adversity, but Exit Realty Associates' Chantal Albert knows firsthand that no agent survives without discipline. "You need to stick to your daily routines and maintain a positive attitude to be a successful agent," she says. "There will be lost deals and listings, but you need to focus on the positive and remain calm for your clients."

Albert, who runs an accomplished team with her husband, has received Exit's Platinum Award, notching more than 100 transactions in each of the past three years.

ALEXANDRE DUMAS

ROYAL LEPAGE ALTITUDE

Montreal, QC

Age: **30**

Every agent wants to forge an ironclad reputation that clients can rely on, but the best agents, like Royal LePage's Alexandre Dumas, know that flexibility is a necessary trait for long-term success.

"Every client is different and is going to have a different expectation of what good service and guidance through a purchase or sale means," says Dumas, a Royal LePage Red Diamond and 35 Under 35 winner. "It makes my job interesting, as I constantly need to adapt myself in order to give them 100%."

JOE CONLON

ROYAL LEPAGE BINDER REAL ESTATE

Windsor-Essex, ON

Age: **29**

Windsor-area Realtors are currently navigating a historically hot local market, in which buyers and sellers are being increasingly confronted with a challenge that used to be the sole province of big cities: multiple offers.

"Multiple offers make for a tough market," says Royal LePage's Joe Conlon. "Educating your buyers properly on the market makes things much less stressful for everyone, while keeping their interests protected." Conlon's ability to guide his clients through such a tumultuous time has earned him wide acclaim from Royal LePage, which has awarded him Chairman's Club, Diamond and Platinum status. REP

The Domingues Difference

Royal LePage's **Debbie Domingues** reflects on the state of the GTA market, succeeding in real estate while raising a family, and her role as one of the stars of *Top Million-Dollar Agent*

IT TAKES a special agent to stand out in the GTA. With 50,000 Realtors battling each other for listings every day, it's the agents with the right mix of grit and intelligence who get the job done.

One such agent, Royal LePage Supreme Realty's Debbie Domingues, long ago established herself in the industry's upper tier. Now, as one of the Realtors featured on the upcoming season of *Top Million-Dollar Agent* (currently showing on Slice and coming soon to Netflix), Domingues is having a moment – one that will unquestionably alter both her and her clients' fortunes for the better.

REP: Why do you love real estate?
Debbie Domingues: Partly because I grew up around it. My father was an investor and a builder, so my whole life I've been around it.

But really, it's because I find real estate completely inspiring. It's connecting with people, helping them and watching them grow. I love to see people grow. It's the best feeling in the world when I can put a roof over a family's head.

REP: You recently shot a season of *Top Million-Dollar Agent* for Slice. How did you wind up as one of the show's stars?
DD: The producers actually reached out to me. They interviewed me – and a lot of other agents – and thought I was a true professional and a great fit for the show. My experience with luxury properties probably helped a little, too.

REP: What was it like dealing with clients while the camera was rolling?
DD: I thought it was fantastic. It was a great experience. It gave me a big boost of confidence, too. I feel like a totally different person now. And the buyers and sellers loved it.

REP: Why did you agree to do it?
DD: I liked the challenge of doing something different. And I thought it would give me a chance to be a role model for other female agents because I'm the mother of two girls, and I want more women to realize they can make it in real estate. We need their energy, and we need their compassion.

> "I thought [the show] would give me a chance to be a role model for other female agents … I want more women to realize they can make it in real estate. We need their energy, and we need their compassion"

REP: What's your advice to other mothers trying to make their mark as Realtors?
DD: You have to really have a lot of self-confidence and be very determined. It's all about believing in yourself. Everything is possible as long as you put your mind into it and have faith.

REP: You cover a pretty significant territory – Toronto, Hamilton, even up around Barrie. Where would you encourage investors to park their money in the next 12 months?
DD: I always say about Toronto that "the city is the city and will always be the city." You will never lose money in Toronto, and you'll never go wrong downtown.

REP: A big part of your business is what you call "the Domingues difference." How would you describe that to someone not familiar with your success in the GTA?
DD: First, I don't just put up my sign and wait for a house to sell itself. I'm very public and very vocal about what I'm selling for my clients. I'm on television; I'm on the radio; I'm in print. I market myself as a way of marketing my clients' properties.

Second, 'the Domingues difference' is about loyalty and honesty. That's the heart of what I do. What you see is what you get. REP

Stand out from the crowd

Anthony Hitt, president and CEO of Engel & Völkers Americas, details two ways that modern agents can differentiate their brand

IN REAL ESTATE, it's important to stand out and differentiate yourself. But what drives a buyer or seller to choose one agent over another?

Engel & Völkers recently conducted research to analyze the top qualities consumers look for when choosing an agent to help buy or sell their home. Two key factors that kept popping up were local expertise and personalized experiences.

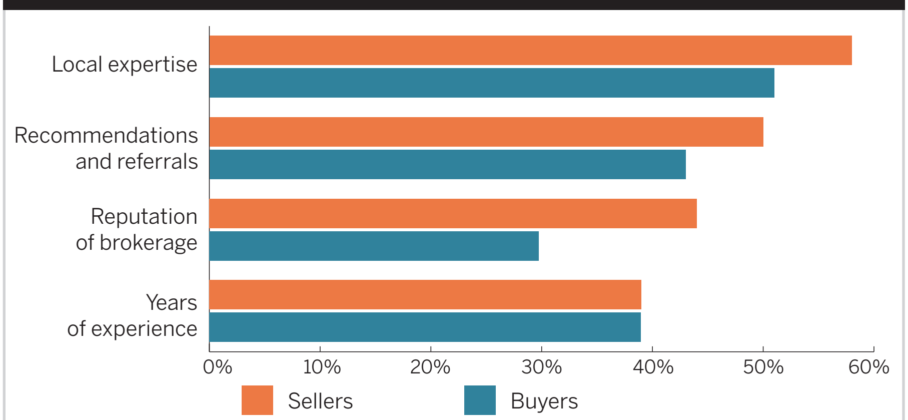
When we asked people about their recent experiences when buying or selling their homes, only 29% felt their agent provided a tailored experience. A significant number (87%) said that next time they would choose an agent who prioritized personalization. In fact, consumers ranked a personalized experience as the top factor that differentiates a 'good' agent from an 'excellent' one.

Technology has empowered consumers to be more self-sufficient in the buying and selling process than ever. With so much information available online, some consumers are reluctant to retain an agent to do research they can do on their own.

However, technology can't replace expertise or grasp the emotional significance of buying or selling a home. Although tech is becoming more sophisticated in handling the back-end aspects of real estate, agents offer the more tactile, human traits clients value. These cannot be replicated. Technology is making it even more important for an agent to differentiate their business and service offerings and elevate the consumer experience.

The following are some best practices for building your brand through local expertise and personalized client service.

WHAT'S MOST IMPORTANT WHEN CHOOSING AN AGENT?



Local expertise

Be a specialist. As technology advances, an agent's specialization becomes their most important differentiator. Know the ins and outs of a specific area, whether it's being able to recommend a local hot spot or knowing which streets hold annual block parties, and invest in hyper-local marketing to build awareness of your personal brand as a local expert.

Immerse yourself in the area. Know who lives there and participate in local events and committees. Understand your clients' lifestyles by walking the streets, shopping and dining at the places they frequent.

Personalized experience

Know more than the specs of a house. Understand your clients' hobbies, passions and motivations – however unique – and find shared interests to build trust and a personal connection. This will help you better cater to their needs.

Be there when they need you. Moving can be one of the biggest and most emotional decisions in a client's life. It's your job to guide clients through this process. Algorithms are useful for certain hard criteria, but only a human understands the emotional nuances that transform a house into a home.

Don't forget the heart. Understand the sentimental attachments some clients have to their homes. Small gestures like giving a welcome gift inspired by conversations you've had – something personal to the buyers' tastes – can go a long way.

As technology evolves, so will real estate. Demonstrating your irreplaceable value as an agent will ensure you stand out and stay competitive. As the industry remains largely referral-based, offering personalized services will help drive word-of-mouth business and build your brand. REP

Anthony Hitt is the president and CEO of Engel and Völkers Americas. To learn more about what E&V can do for your real estate career, visit evcanada.com/en/join-our-team.php.

BIG MARKETS, BIG MONEY

Don't be dissuaded by the cap rates – Canada's biggest cities are still the place to be. **Alice Yang** provides a few ideas for getting the most out of Canada's priciest markets

Don't let the number of zeroes on the asking price deter you from investing in Canada's most expensive cities. There are numerous advantages to investing in markets such as Vancouver, Victoria, Toronto and the pricier parts of Montreal. I've had success in making my properties in Vancouver cash-flow, and I'm here to provide a few tips to help you do the same.

First, let's take a look at the benefits of investing in expensive cities:

- **High demand.** Desirable universities and public schools, good living conditions, job opportunities, higher average income, and higher migration rates and population growth all make major markets a go-to destination for residents of all stripes.
- **Low vacancies.** It's easier to find tenants in major markets. You can be pickier as a landlord, and you don't have to deal with vacancies as often.
- **High rent.** You'll be able to charge more money per square foot.
- **Potential for premiums.** Executive suites, rented out as fully furnished luxury units, demand sky-high rents. That's hard to do elsewhere.
- **Easier management.** There will be more property management companies to choose from. Or, if you also live in the city, you can manage them yourself.

Don't be afraid to pay

Investors often wonder how you get your foot in the door in an expensive city. Vancouver, for example, was a seller's market from about 2015 until this year. Winning in a multiple-offer scenario was the name of the game. I've seen a lot of investors call it quits in such a situation, as multiple offers are never fun for buyers or their Realtors.

Some investors have a ground rule to never place a bid in a multiple-offer scenario. My personal advice is that it never hurts to try. I recommend having your Realtor speak with the listing Realtor and try to feel out the strength of the other offers to see if it's worthwhile submitting an offer. You can't win the lottery without buying a ticket; the same goes here. You will never own a property if you don't write offers.

Sometimes you win, sometimes you lose, and that's just part of life. You have to accept that you will never win all of them. Just be determined and move forward to the next opportunity. Don't get discouraged.

I'm not recommending that you pay over the asking price, but it really depends on the market and your own economic predicament. Going over asking doesn't necessarily mean it's a bad deal.

I've won several multiple offers before, for both myself and my clients, and even if we paid slightly over fair market value, the market kept going up. Keeping in mind the attractive qualities of larger markets listed above, these are still great long-term investments that generate cash flow.

> Some investors have a ground rule to never place a bid in a multiple-offer scenario. My personal advice is that it never hurts to try

Be realistic

I went to numerous real estate seminars when I first started investing in real estate, and most of them stressed the importance of buying a property for half of the asking price or well below fair market value. While this might have been possible during the recession in the US, the average investor needs to have more realistic expectations. Buying properties for next to nothing is an extremely rare situation, even in a declining market.

In big cities where demand is high and inventory and vacancy rates are low, don't expect to pay 10¢ on the dollar or achieve anything close to a 10% cap rate. While

sometimes low-balling on a starting offer is a good strategy, I recommend providing reasons to justify your offer.

Paying fair market value doesn't mean the property is a bad buy over the long run; it may do very well in terms of cash flow, or it might have excellent future redevelopment potential. Focus on what your potential earnings would be rather than saving a few bucks on the purchase. What's the advantage of saving $5,000 or $10,000 now when you can potentially make $100,000 a few years down the road?

Be cash-creative

If you can't afford to buy in big cities but are dead set on investing in them, you're going to have to get creative to find financing. Taking out a line of credit or getting an interest-free loan from your family or a (really, really good) friend are both options, as is finding a joint-venture partner.

CREW features a lot of articles about attracting JV partners. It's a winning strategy – and it's really not that hard to do. If you can prove to a wealthy partner that you can make them more money while they do absolutely none of the work, you'll be able to find the capital necessary to buy a good property.

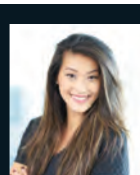
You should also consider looking at suburbs with easy access to the downtown core. More and more people are taking mass transit, so purchasing near a subway, Skytrain or LRT stop, which can offer fast transportation into the most desirable parts of a city, is a good option.

Juice your cash flow

If you can't make money on your purchase, there are multiple ways to optimize your cash flow instead. These strategies will make your unit more attractive to a wider range of renters, leading to, in many cases, intensified demand and higher rents:

- Furnish the unit and rent it as an executive suite
- Rent lockers or parking separately (or charge tenants extra for parking)
- Offer flexible move-in and move-out dates
- If possible, rent on a shorter lease and increase the rent more often
- Rent by the room
- Include cable/internet – negotiate with your service provider for a discount if signing a long-term contract
- Allow pets (making sure first that your strata/condo allows them)

Owning property in an expensive market is an almost foolproof way of making money. Don't let the high barrier to ownership discourage you. Speaking from experience, it's worth the effort. ■



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HOW TO MAKE A MILLION – WITH ONE INVESTMENT

AJ Hazzi presents his own take on *CREW*'s annual investor challenge, turning $150,000 into $1 million in net worth and an annual income of $60,000

There are myriad ways a person can make a million dollars in real estate. Over the years in *CREW*, I've covered everything from renovating multi-family apartment buildings to buying a series of single-family homes to using a lease option strategy.

The two things these strategies all have in common is that they are battle-tested and they take work on the part of the investor. This time, however, I'm going to share a simple strategy that will get you to a million dollars in net worth with almost no work on your part.

What and how to buy

The key is buying the right kind of property at the outset. For two reasons, I suggest you grab something as close to new as possible. First and foremost, it will limit the amount of repair and maintenance you will incur over your 10-year holding period. Second, it will improve your tenant profile substantially.

For this example, let's assume an initial investment of approximately $150,000 in cash, which, once leveraged, will allow you to control $750,000 in real estate. There are a few options here, but the target revenue is the same in all cases: $5,000 per month, which will give you an annual revenue of $60,000. You might choose:

- A duplex with two nicely appointed three- or four-bedroom units that will rent for $2,500 per side.
- A nice three-bedroom vacation rental property in a market that attracts upscale vacationers. Something with a proven track record of $2,500 a week in the summertime will get you to the amount you're hoping to hit.

> With $60,000 per year in revenue, you're able to have some fun with your mortgage amortization schedule

Now for the magic of velocity banking. With $60,000 per year in revenue, you're able to have some fun with your mortgage amortization schedule. You'll want to make sure you select a mortgage without pre-payment restrictions, as the name of the game is to invest all of the cash flow from the property into aggressive mortgage pay-down.

Assuming a 3% interest rate with a bi-

weekly payment of $1,261, you can afford to do a bi-weekly mortgage top-up of $600. In doing so, you'll be cutting your 30-year mortgage nearly in half – 15 years and six months, to be exact. Your total payments to the bank will be $48,407. Expect to spend another $10,000 per year between tax, insurance and some contingencies.

A decade down the line

Delaying the real gratification until the 10-year point is going to require some discipline. When your investment property is generating $1,200 per month in positive cash flow, it's tempting to want to take that money and use it instead of paying it all to the bank. Realistically, though, most of us would absorb that $1,200 a month into our daily existence and barely change our lifestyle, let alone improve it in any noticeable way.

In the chart below, you can see that investing $1,200 a month over 10 years into accelerating the mortgage ends up going fairly well. The total interest saved is nearly $120,000, and a difference of just over $180,000 opens up between the two mortgage balances at the 10-year mark.

The advanced, and more disciplined, version of this would be to take the $1,200 a month and invest it in paper assets. Assuming an 8% return over 10 years, you could stand to do even better and end up with more than $240,000 in your trading account.

In either case, the actual real estate asset will have also been appreciating over the 10-year period. Assuming a conservative 5% per year compounded growth rate, the value of your $750,000 investment should be over $1.22 million, leaving approximately a $1 million equity position in the property.

You have some choices now. Do you draw out your equity, tax-free, using a home equity line of credit? Do you sell the property, pay some capital gains and move on? Or do you simply finish paying off the home in another five and a half years and enjoy the $60,000 per year in net cash flow for your retirement? Any way you slice it, you're a happy camper. ■

MORTGAGE SUMMARY

Loan amount	$600,000	
Amortization	30 years	
Interest rate	3%	
	Without prepayment	**With prepayment**
Payment	$600 bi-weekly	$1,261.81 accelerated bi-weekly
Balance at the end of 10-year term	$426,184.23	$245,381.51
Loan will be paid off after	26 years, 6 months	19 years
Total payments	$867,340.03	$749,640.92
Total interest paid	$267,340.03	$149,640.92
Interest savings	**$117,699.11**	

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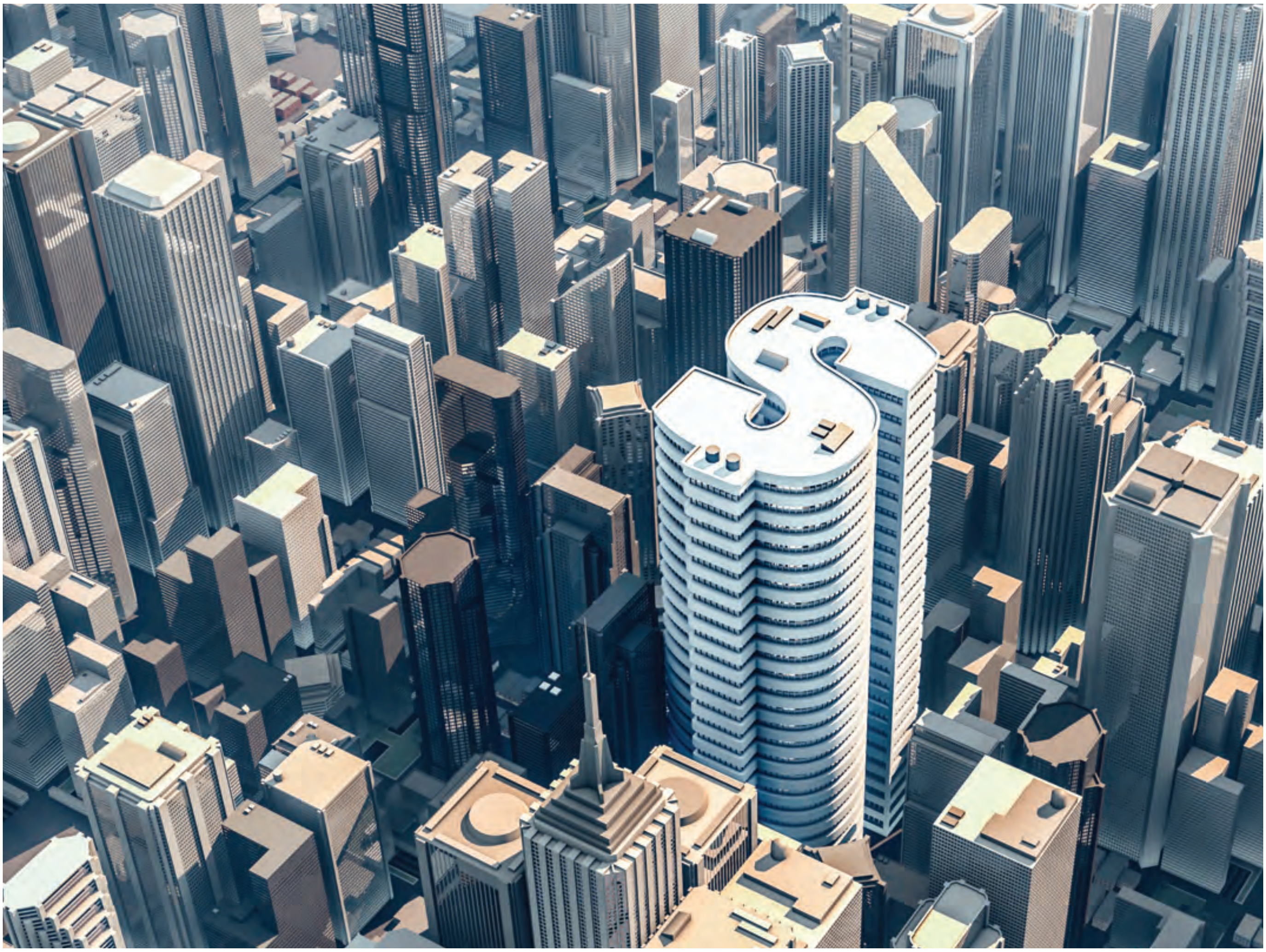

SOUTHERN ACCENTS

Bob Carter continues his dive into private equity markets by sharing his experience investing in multi-tenant projects in the US

As I continue my look into private equity real estate investments, I'd like to share my experiences investing in US multi-tenant projects. Five years ago, my wife and I began reading about how the multi-tenant space in the US was on fire. The economic recovery had been particularly kind to middle-tier cities such as Phoenix, Dallas and Houston. Patient investors were positioning themselves to reap the benefits.

In particular, there was a glut of unloved and undervalued multi-tenant buildings, townhome developments and mixed-use structures. Some of these were sorely in need of upgrade and repair, as their owners were still nursing the concussions dealt out by the 2008 financial crisis and had let their buildings fall into disrepair.

We found that the opportunities for the greatest net operating income optimization were situated in US markets where property managers had barely hung on after the financial crash. There was an oversupply of properties where current owners wanted out and were willing to accept offers from investors – mostly Canadians – seeking good returns in a stronger currency. A number of investor syndicates were created using a limited partnership structure, where a minimum investment of $25,000 could secure you a position in a project.

Finding the right opportunity

All of these products are offered by exempt market dealers [EMDs], who work in the private equity markets. The question is: Which one do you choose?

You could start by visiting the Private Capital Markets Association website for a listing of EMDs who operate across the country. Their websites will list active and perhaps historical projects. You will see that some offer a wide range of products, while some are dedicated solely to one area of specialization. They will offer a range of opportunities to earn income, drive capital gains or both. They may be very focused or quite varied, offering a single or a diversified portfolio approach. (If your network allows it, you could also ask around for word-of-mouth referrals.)

EMDs' product pages are usually quite detailed and include investment particulars, minimum order sizes and dealer compensation, all fully disclosed. If that transparency is missing, or if the advisor hedges in their explanation of this kind of granularity, steer clear. As an investor, you should be looking for accreditation, experience (as both an advisor and investor) and a range of products offered. In the end, trust is first; products are second.

What to watch out for

An investment's offering memorandum documents are usually quite complete and present a great argument for the economic strengths of the market, population dynamics, net inward migration and even a list of the local major employers and their plans for growth. Investing in these packaged deals can seem, and often is, very convenient, but that does not absolve you from doing your homework. You need to do your own research to make sure the facts shared in any glossy package make sense and can be corroborated.

But even when you've established all the facts, something can go wrong. In one case, even after we obtained engineering reports and building inspections, one of the programs we had invested in forced us to seek an early exit. In this case, the costs of repairing and renovating the units grew out of line with the deal's initial financial projections. This made the project far less desirable. Fortunately for all, the project manager was able to sell the development to another interested party and we all made money – just not as much as was first anticipated.

> You need to do your own research to make sure the facts shared in any glossy package make sense

Target annual returns for this class of product tend to be between 16% and 18%. Your returns may be higher or lower, depending on whether you have cash to invest or use leveraged funds from a HELOC. Your access to cash and risk tolerance will determine which way you go. We have committed both hard cash and used our HELOC with a very conservative and expedited pay-down schedule. Minimum purchase amounts are usually US$25,000 and may be subject to allocation if over-subscribed, like an initial public offering. These deals are only available through EMDs, who work with investors to ensure suitability.

Don't forget the tax man

Investing in the US, while attractive, presented some additional costs we hadn't fully anticipated. Some of these costs include the need to file US federal and state income tax returns. We had no trouble finding accountants trained in helping cross-border investors and fully recognized that we would have to pay tax on rental income received and capital gains taxes on exit, but we weren't prepared for the premium charges for preparing these documents versus the costs of preparing similar tax forms in Canada.

We initially held the properties in joint form, which required individual returns for both my wife and me. Of course, the offsetting tax credits in both countries helps avoid the spectre of double taxation, but our returns were compromised by the several hundreds of dollars each year we had to pay to double file. Today we are investing as a couple in one name only to help avoid these extra costs. We feel safe that should one of us die before the other, we will effectively be able to transfer the property from one name to the other as a tax-free event.

We sought out these investments because we wanted access to multi-tenant opportunities in a number of markets without the stress of additional mortgage leverage and risk. We wouldn't be able to hold these assets, or have the portfolio of projects and market diversification we do, without these products. We're committed to staying the private equity course. ■

BOB CARTER is a real estate investor with more than 35 years of sales and business ownership experience. He built a successful financial advisor practice on Bay Street and today serves as a vice-president of sales for a leading Canadian life insurance carrier. To connect with him, visit catchupinvesting.ca.

BRITISH COLUMBIA: BEYOND THE LOWER MAINLAND

The narrative around BC real estate has grown a bit monotonous – or horrific, if you're an investor in a hurry to sell. Sales in most of the province's markets improved significantly from April to May, but it's hard to derive too much excitement from something that happens almost every year.

May sales in major BC markets like Greater Vancouver and the Fraser Valley came in 23% and 18% below the 10-year average for the month, respectively, but activity continues to bubble on the eastern side of the province, even as it has long since boiled over and evaporated in the Lower Mainland.

Kamloops, with its diversified economy and 1% vacancy rate, remains one of *CREW*'s favourite secondary markets. Sales are slowing, but not on the same scale being seen in the rest of the province. May sales, despite being down 6% year-over-year, still came in well above the 10-year average. While prices are shrinking across BC, Kamloops' average sale price hit a new record of $427,831 in May, 9.5% higher than it was a year before. With new listings falling and active listings unchanged, prices in Kamloops should continue to rise.

The Kootenay region, home to small-market powerhouses such as Cranbrook, Castlegar and Revelstoke, recently wrapped up its fifth best May on record. At the end of the month, year-to-date sales were down

11.5% for the territory, but with supply near its lowest point in a decade, the average price still managed to rise 12.1%.

Balanced conditions appear to be on deck for the South Okanagan, where year-to-date sales had fallen by 22.9% by the end of May. Active listings were up 28.8% compared to a year earlier, helping keep the average sale price unchanged at $453,623. A halt in price increases will be welcome news for investors looking to get a foothold in communities like Cranbrook, Oliver, Summerland and Dawson Creek.

How's that LNG boom working out?

Not long ago, *CREW* took a closer look at the real estate activity happening in Kitimat, the small northern BC community that will soon be home to LNG Canada, the largest private-sector investment project in Canadian history. A $40 billion boon to the region, LNG Canada will reportedly employ 10,000 people at peak construction, with another 900 staff staying on after completion to manage its first phase.

Colossal energy projects don't often come to towns of 7,000-odd people, so the initial excitement among real estate investors was predictably high. Most of the existing housing stock was snapped up in the weeks after the October 2018 announcement of the project's approval, and interest in the handful of new-build communities is ramping up, with some already 40% sold out.

One might see that figure and wonder why it isn't higher. Given the amount of money about to be flying around in the form of high wages, and the propensity of energy companies to overpay for their executives' lodgings, why hasn't everything sold out?

According to Jason Pender of JV Development Group, investors are likely hesitant to dive headfirst into a remote, unknown part of the country. But he insists they have little to worry about.

"The biggest thing is, do you believe LNG is building a $40 billion project? Yes," he says. "Do you believe there's going to be a supply-and-demand issue when it comes to housing for project management teams, executives and other contracting companies? Yes."

At the peak of building activity, it's estimated that 6,000 temporary labourers will descend on Kitimat. But that's not where the money lies. Pender estimates that on top of the construction crews, there will be another 600 to 900 employees on the project management and executive side, all of whom will need someplace to live. Pender says his company, which is currently building its own townhouse development, has already been contacted by companies looking for 60 to 75 beds in whatever combination they can find.

> In Kitimat, companies are already offering guaranteed rental programs that will pay owners $3,000 a month for the first year

Their options, not to mention investors', are currently limited. Pender says units in older townhouse developments can be found for less than $370,000, but they lack a crucial component: in-unit parking. Newer townhomes with parking included are starting at $399,000 and should have no problem finding tenants.

What those tenants will be paying for rent remains to be seen, but because of the demand squeeze and the need for developers to house their own workers, Pender says companies are already offering guaranteed rental programs that will pay owners $3,000 a month for the first year. And that's just to start.

"As the project matures and it comes online between 2025 and 2026," Pender says, "and as you get into that 70th, 80th, 90th percentile of construction for the facility itself, some of the people coming to town will be those permanent, long-term jobs post-completion."

Six years from now, demand and the wages being earned by the project's most critical technicians should both be entering the stratosphere at exactly the same time.

BC AT A GLANCE

28.5%
Year-over-year increase in active listings in Chilliwack in May

26.3%
Year-over-year increase in active listings in the Fraser Valley in May

22.9%
Year-over-year decrease in sales in the South Okanagan in May

11.5%
Year-over-year decrease in the average price of a detached home in Greater Vancouver in May

$357,046
Average sale price in the Kootenay region in May

$427,831
Average sale price in Kamloops in May

ALBERTA: PIPE DREAMS COMING TRUE?

With a new, oil-friendly regime in place and the announcement in June that the Trans Mountain Pipeline expansion had received the federal government's go-ahead, things are finally falling the right way for Alberta's petroleum producers. There is still skepticism around the Trans Mountain approval (When will it get built? Will it get built at all?), but it's a major victory for the province, one that should relieve some of the frustration that has built up over the last year and replace it with a blend of consumer confidence and optimism.

Until the Trans Mountain expansion kicks off and oil producers have a clearer view of what their future investment plans will be, Alberta's market will likely remain in the same state of limbo it's currently floating in. Sales in the province increased year-over-year in both April and May, perhaps a reflection of the confidence brought on by the UCP victory in April, but year-to-date, sales are 3% lower than they were last year and 14% below the long-term average. Sales rose in by 11% in Calgary and 4.7% in Edmonton in May, but that activity was dampened by ballooning inventory in Fort McMurray, Lethbridge and, most distressingly, in Medicine Hat, where active supply was up a horrifying 33% year-over-year in May.

The current numbers aren't painting the prettiest picture of the Alberta market, but brighter colours should be on the way.

Move to the country

Now that Alberta's oil industry has received the shot in the arm so many had been clamouring for, communities other than Edmonton and Calgary should start garnering renewed interest from investors. Because of its location and the outsized role oil plays in the local economy, Grande Prairie falls firmly into that category. But Yuri Smith of Grassroots Realty Group feels the city has deserved investor attention all along.

"We do get hit the hardest, the fastest, but I believe we've made a stronger recovery compared to the rest of the province," Smith says, citing the health of the region's forestry, agriculture and mining sectors as reasons why its vacancy rate has fallen from 13% to 1% in just two years.

"We're seeing more commercial activity in the area," he says. "We're starting to see more investment in gas plants. We just announced a $2 billion Nauticol [methanol manufacturing] plant. We have some good news happening here."

A relatively small city located roughly 80km northwest of Edmonton, Grande Prairie may seem remote by most standards, but it serves as the economic and transportation hub for an area of approximately 250,000 people. It is arguably the northernmost major population centre in Canada. At last count, Grande Prairie's population was only slightly lower than Fort McMurray's.

Even though the ink on the Trans Mountain announcement is barely dry, Smith says Grande Prairie is already energized. The highways are busy, companies are hiring, and the equipment yards, which were filled to bursting with dormant oil gear, are finally emptying out.

"There's a lot of excitement surrounding [the Trans Mountain announcement], from the consumer level and also from the bigger businesses that are invested in Grande Prairie," he says. A new business-friendly UCP government shouldn't hurt, either.

The Grande Prairie market hasn't exactly been on fire this year, which will be welcome news for anyone investigating the city for investment opportunities. At the end of May, the year-to-date average sale price was sitting at a very attainable $309,014. Active inventory hit a record high in May, meaning there's a glut of properties to choose from.

Given the rise in both business confidence and hiring, Smith encourages commercial investors to look at either West Gate or Clairmont. West Gate is attracting tenants in droves, especially upscale professionals such as law firms, who are looking for more high-end, modern office space. Clairmont, located in Grande Prairie County, is home to the area's industrial parks and its lowest tax rates – generally 40% lower than in the city. "A lot of people are finding that their investment dollars are going further with the lower and more attractive tax rates there," Smith says.

Long-term investors looking for substantial properties on spacious lots, possibly to rent out to incoming executives or other highly paid professionals, will also find what they're searching for in the county. In addition to the tax breaks, areas like Carriage Lane and Whispering Ridge offer properties in the $500,000 to $1 million range that will rent for as much as $2,800 a month. With public transportation now available, plus a new sports facility and rapidly improving amenities, Grande Prairie County offers significant upside for patient investors.

For those hoping for a more immediate cash-flow payoff, Grande Prairie checks a lot of the right boxes. The average house price and high rents make for an enticing combination almost anywhere in the city, but Smith points to a couple of neighbourhoods, Royal Oaks and Northfield Landing, that are worth a closer look. Up-down duplexes in these areas that potentially rent out for a total of $3,800 a month can currently be found for less than $450,000. Townhouses fetching around $2,200 in rent are selling for between $250,000 and $300,000.

"I think Grande Prairie is extremely lucrative from a rental investment standpoint," Smith says. If things fall the right way for the city, that's an opinion investors are likely to encounter more frequently in 2020.

Even though the ink on the Trans Mountain announcement is barely dry, Grande Prairie is already energized

ALBERTA AT A GLANCE

4.6%
Year-over-year increase in sales in Alberta in May

50%
Sales-to-new-listings ratio in Alberta in May

33.2%
Year-over-year increase in active inventory in Medicine Hat in May

10.9%
Year-over-year increase in sales in Calgary in May

$237,802
Average sale price for condo properties in Edmonton in May

$454,810
Average residential sale price in Calgary in May

MANITOBA: THE SUN SHINES ON THE PRAIRIES

Too many people look at Manitoba and focus on the emptiness that sprawls from one city to another, failing to realize just how much money is being made in real estate there. Those cities might be few and very far between, but a lot of economic and demographic good is happening in the Keystone Province, making it more 'sleeper' than 'sleepy.'

In May, the province's unemployment rate sat at 5.1%, lower than the national average and the lowest level Manitoba has experienced since March 2013. A fundamental part of Manitoba's growing economy continues to be its success in attracting new residents to fill the rising number of jobs. More than 2,800 people moved to Manitoba from other provinces in the first quarter of 2019 – an increase of just under 8% compared to the same period a year before – in addition to more than 3,000 international immigrants.

One of the communities that has unquestionably benefited from a rising population has been Brandon, where the real estate market is showing uncharacteristic vigour. At the end of May, year-to-date sales were up 8.3%. Year-over-year comparisons were even more favourable – May 2019 outperformed May 2018 by 16% and came in just above the five- and 10-year averages for the month. Given that the median sale price for detached homes in Brandon sat at only $258,900 in May, and that the city is a rental hotbed, it's no surprise investors are nibbling at properties there.

Brandon is also one of the communities selected to take part in the next installment of Grow West, a pilot project attempting to bring in newcomers to continue driving the growth and diversification of rural economies. Similar to the project that has seen considerable success in Atlantic Canada, Grow West hopes to start growing the middle-class job sector in Brandon (as well as Thunder Bay, Ontario, and Moose Jaw, Saskatchewan) in 2020.

A feast in the northeast

No matter how good the economic news is in smaller cities like Brandon or Portage la Prairie, most investor attention inevitably gets drawn to Winnipeg, Canada's least expensive major real estate market. Predictability has been Winnipeg's calling card, but that hasn't prevented the city's market from recently experiencing some unexpected heat.

MANITOBA AT A GLANCE

5.1%
Unemployment rate in Manitoba in May

29%
Percentage of Winnipeg-area single-family sales that took place outside the city in May

2,800
New arrivals to Manitoba from other provinces in Q1 2019

$334,639
Average detached home sale price in Winnipeg in May

16%
Year-over-year increase in sales in Brandon in May

$245,990
Average condo sale price in Winnipeg in May

"It's been really strong," says Re/Max Associates' Anita Sharma Turner. "We've had some really strong months for our spring market, and things are going well. We've beaten previous years' records in stats, so that's always a good thing to see."

Indeed, May sales set an all-time monthly record, notching more than 1,700 sales worth over a half-billion dollars in real estate. Sales increased 13% year-over-year in May and were up 5% year-to-date at the end of the month.

A major part of that growth is being driven by activity in rural areas just outside the city, where 29% of May's single-family sales took place. The southern part of Winnipeg, stretching as far as Steinbach, has been growing for the past several years. Now, Turner says, it's the northeast's time to shine.

"New construction is still really booming out here," she says. "We're seeing rural communities offering more services, like sewer and water, so we're seeing a lot of families move out that way. And it's just a couple minutes from the city limits, so that makes it super convenient."

Stony Mountain, Stone Wall, West Saint Paul and East Saint Paul are seeing particularly intense bursts of activity. Parcels of land in the area used to sell in two-acre chunks, but subdivision has become big business in small-town Manitoba. Most lots are now fully serviced with 45-foot frontage. The smaller sizes are proving highly attractive to young families who prefer to live outside the hustle and bustle of Winnipeg without having to maintain a dauntingly large piece of land.

> A major part of Winnipeg's growth is being driven by activity in rural areas just outside the city

Because much of that land has been snapped up at low prices by developers, prices on newly built properties are quite fair. Developers are providing enticing prices on single-family homes, so Turner says townhomes are a wiser play for investors, who, for $300,000 or less, can land a spacious townhouse that will rent for up to $2,000 a month.

The exciting novelty of a recently developed neighbourhood often comes with a deflating lack of amenities, but Turner says the areas north of Winnipeg are already fully functioning communities; they just happen to be expanding. And the wheels are in motion for improving services to meet the heightened demand. "Within the next five years, we're going to see more schools, more community centres and more commercial centres being built in these areas," she says.

As great a city as Winnipeg is, new arrivals will continue to be drawn to smaller rural areas outside the city. They're quieter, safer, less expensive and well within reach of the city's job market. "When these newcomers come, they need to rent," Turner says, "so there is a big demand for investors to pick up these properties."

ONTARIO: HERE WE GO AGAIN?

At this point, it's fair to say that Ontario may be well on its way to avoiding the substantial downturn still plaguing the British Columbia real estate market. For all the talk of bubbles and busts over the last three years, Ontario's market appears to have weathered its various storms – stress tests, overpricing, the Fair Housing Plan – virtually unscathed. After more than a year of uncertainty, sales are now on the rise again in a number of once-hot investor markets.

Before sales began stalling in 2018, Barrie was the darling of the Simcoe region, where improved GO Train service, affordable new builds and proximity to the water proved to be an irresistible combination for investors. After a May that saw sales increase by 23% year-over-year, Barrie appears to be back on the map. The benchmark price over that same period fell 7% to $474,800, so investors looking to cash in on the city's growing amenities and sub-3% vacancy rate should be able to find moderate bargains.

Sales in Guelph leapt even higher in May, to the tune of 25%. It was one of the best Mays on record for the city; benchmark prices for detached, attached and apartment properties all rose by at least 4% compared to the year before. With demand on the rise and active listings currently sitting at about 60% of the long-term average, prices should continue their upward trajectory.

The Durham Region, home to investment hotbeds Oshawa, Pickering and Bowmanville, took a beating for most of 2018 and the first part of 2019. But sales in May showed signs of a substantial recovery. Sales increased 37% over May 2018, firmly establishing it as the best monthly performance of the year. The average selling price, $622,292, has barely moved in the last 12 months. MoneySense recently ranked Oshawa as one of the top 35 cities in which to buy real estate in Canada.

After a sluggish first quarter, Toronto's market also appears to be coming to life. Though still below the 10-year average for the month, sales in May were 19% higher year-over-year. With the exception of condos in the 416 area code, sales increased for every property type in the GTA; detached homes and semis in Toronto experienced spikes of more than 30%.

Families with young children are flocking to Etobicoke in search of that elusive combination of space and proximity to downtown

The increased activity might turn out to be a short-term blip of good news, but after months and months of tepid activity across the province, buyers in Ontario finally seem – temporarily, at least – ready to spend.

West is best

Squashed between Toronto to the east and Mississauga to the west, Etobicoke is easy to miss when looking at a map of the GTA. But its north-south sprawl, all the way from Highway 407 to the banks of Lake Ontario, helps make Etobicoke one of the GTA's most eclectic, bustling boroughs. Its waterfront and expansive green space have proven irresistible to families with young children, who are flocking to the area in search of that elusive combination of space and proximity to downtown. Etobicoke, particularly the south, has it in spades.

According to Re/Max Realtron Realty's Sahil Jaggi, few GTA neighbourhoods offer the short, smooth commutes found in South Etobicoke, where the Gardiner Expressway, Highway 427 and the Queen Elizabeth Way all converge. "The access to downtown for anybody driving is about 20 minutes, and that, to me, is huge," he says. "As the city's seen a lot of issues with commute times – and, infrastructure-wise, we're not the best city for commuting – being close to downtown will always remain gold, and with South Etobicoke being so close to the Gardiner, you really cut out the city driving."

In addition to the breezy drives, South Etobicoke also boasts GO Train access by way of the Long Branch Station in Mimico. "Logistically, [Etobicoke's] placed in the perfect spot," Jaggi says.

Investors targeting downtown Toronto still have no problem filling their condo units, but they have very little to offer residents in need of more space. For the same $2,400 someone might spend on a one-plus-den downtown, they can score a three-bedroom bungalow in South Etobicoke with a yard, finished basement and parking.

"If you go anywhere toward the east – the Beaches, Leslieville – it's impossible to find the kind of space, with the same logistics, as in South Etobicoke," Jaggi says. "Comparing apples to apples, South Etobicoke is a lot cheaper and, to me, it's a lot more poised for growth."

Single-family properties in South Etobicoke hot spots like Long Branch and Alderwood aren't exactly cheap – Jaggi says $750,000 to $850,000 is the current going rate – but the value is hard to deny. Many of the lots in Alderwood offer 40-foot frontage (they can be as small as 25 feet in Long Branch), which has attracted custom builders en masse, and many of the properties on those lots are already suited. Larger two-unit properties are currently renting for a total of up to $3,700, and smaller properties come in only a few hundred dollars lower.

With cap rates falling across the GTA, cash-flow investors might balk at paying $800,000 for a single-family home, but Jaggi says 20% down will be enough for an investor to cash-flow in South Etobicoke. It's one of the reasons he's poured more than $6 million of his own money into the area.

ONTARIO AT A GLANCE

6.3%
Year-over-year increase in sales in Ontario between January and May

23.5%
Year-over-year increase in sales in Barrie in May

$622,292
Average sale price in Durham in May

$334,700
Benchmark price for an apartment in Guelph in May

25.5%
Year-over-year increase in average sale price in St. Thomas in May

41.8%
Year-over-year increase in active listings in the Simcoe region in May

NOVA SCOTIA: ALL GOOD – AND GETTING BETTER

NOVA SCOTIA AT A GLANCE

4.7%
Year-over-year increase in sales in Nova Scotia in May

16.8%
Year-over-year decrease in active inventory in Nova Scotia in May

$269,871
Average residential sale price in Nova Scotia in May

27.2%
Year-over-year increase in sales in Northern Nova Scotia in May

Nova Scotia continues to impress on a number of fronts, all of which should have investors' full attention. The population is surging, employment is ticking upward, and newly proposed projects could wind up creating opportunities in two very different areas of the province.

The province marked one of its best years in attracting new residents in 2018, when more than 10,000 people moved to Nova Scotia. Since 2015, the province's population has increased by 2.8%, more than it had grown in the previous 24 years. Almost two-thirds of these new arrivals have been international immigrants, and a third reside in the coveted 20 to 29 age demographic. Translation: renters galore.

These new Nova Scotians are arriving at an opportune time. The provincial economy is diversifying and expanding, creating new jobs at a healthy clip – 8,000 in 2018 alone. Unemployment in Nova Scotia was 6.5% in May, the lowest level in recent history and 2.5% lower than it was in September 2018.

When fundamentals start trending the right way, the real estate market often sees an uptick in activity, and Nova Scotia's no exception. At the end of May, year-to-date sales were 5.7% higher than in the same period a year before, hitting a level not seen since 2008. Sales increased in every region except Cape Breton, rising the most in Halifax and the northern part of the province. The average sale price across the province rose 6.9%. With a corresponding 16% year-over-year drop in active listings, prices should continue increasing.

Two projects have the potential to keep the good times rolling. Goldboro's proposed $10 billion LNG project is already generating quite a buzz. While there has yet to be a commitment to build the facility, the Nova Scotia Utility and Review Board granted it regulatory approval in October. If completed, the Goldboro project would reportedly create 3,500 jobs during construction and 200 permanent jobs thereafter.

In addition, a group of prominent business leaders and former premiers is pushing to build a new airport in Inverness, near Cape Breton, to better capitalize on the area's tourist appeal. There has been noticeable pushback against the idea, but investors considering purchasing a vacation rental in the area might want to take note of any future developments.

Atlantic getaway

In the meantime, Nova Scotia's South Shore has also proven itself a popular destination for short-term visitors, making it an intriguing option for investors willing to put their properties on Airbnb.

In addition to offering some of the finest oceanfront real estate in the country, the South Shore also boasts proximity to Halifax and a variety of quaint, delightful small towns where renters are regularly spending up to $2,200 a week in the summer. John Duckworth of Duckworth Real Estate says the province has made promoting itself as a major tourist destination a priority, doing "everything possible" to ensure the benefits spread beyond Halifax.

High-end oceanfront properties on the South Shore are not cheap, and Duckworth stresses that any property costing $500,000 or more won't cash-flow if it is rented out only during the July-August high season. But the number of people renting their properties through Airbnb has eaten into the long-term rental pool, meaning investors willing to rent their properties for the rest of the year to semi-long-term tenants should have no problem filling them.

Because so many of the communities on the South Shore provide excellent access to the water, non-waterfront is an option, though these homes are unlikely to fetch premium rents. There are plenty of spacious, non-waterfront properties available in Lunenburg and dotted around St. Margaret's Bay for around $300,000. Similar properties can be found in Mahone Bay for less than $350,000. ■