



# INVESTOR'S GUIDE

A ROAD MAP TO INVESTING IN REAL ESTATE

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# WHY INVEST IN REAL ESTATE?

## WHY INVEST IN REAL ESTATE:

- Reduce Your Own Mortgage Payments
- Earn Cash Flow
- Save For Your Retirement
- Make a Profit By Selling the Properties

Looking to start investing in real estate? Increasing dissatisfaction with the typical 9 to 5 job along with the rising price of living has caused more people to seek financial freedom through investments and "side hustles" now than ever before. Although investing in real estate comes with many benefits like increasing wealth and possible financial freedom, most find it daunting.

The complex financial and legal terminology, calculations of compound interest, appreciation, and mortgage rates along with the complexities of being a landlord can scare any potential investor. But you shouldn't let this ruin your chances at growing your wealth and finding financial freedom.

Many people who consider investing in real estate typically wonder whether it's worth it in the first place, or if they should invest their wealth in other ventures like a mutual fund or the stock market. Little do they know, real estate is one of the safest, risk-free ways to earn money.

As an investor, you can build home equity and wealth based on the amount of appreciation your property gains and any other cash flow coming from your rental income. Rental income is the most constant form of income and usually covers your mortgage payments. Appreciation, the increase in the value of your property, increases wealth and home equity much more than rental income, but can take several years to gain.



# DETERMINE YOUR GOALS

## HOW MUCH MONEY WILL I NEED TO GET STARTED?

The amount of money you need depends on the cost, type, and number of properties you wish to purchase. The more properties you want to own, the more money you'll need.

To purchase an income property, you'll need 20 percent of the home's cost. Taking a \$400,000 property as an example, \$80,000 would be needed. It should be noted, however, that there are exceptions. The down payment may only be 5 or 10 percent if you plan to live in one of the units. This is one of the reasons why it's so popular to have an income suite in your home. A lot of people find it to be an easier way to get started.

There are a few different options to get the money you need to start.

### HOME BUYERS' PLAN

\*First-time homebuyers can borrow up to \$35,000 from their RRSPs under the Home Buyers' Plan. Couples can borrow up to \$70,000. The conditions are:

1. It has to be your first home (or one that you're purchasing after five years of not owning)
2. You have to plan to live in the home

Therefore, this option only works for those who want an income suite on their property.

\*Subject to change as per the Government of Canada.

### HOME EQUITY LINE OF CREDIT

If you already own a property and have a lot of equity in the property, you can borrow money from this source. HELOCs can have low-interest rates, and since you're borrowing to buy an investment, the interest could be tax deductible.

### OTHER PEOPLE'S MONEY

Many investors rely on other people and/or joint ventures for cash and/or credit. This method will allow you to share in future equity in the property. You should always seek advice from an expert in this field if you wish to opt for this.

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Real estate investing begins with determining your goals. Don't go in blind. An investor's goals should outline what they want out of their investment and guide their next steps. Many people set very general goals, such as "I hope to grow my investment." Instead, set S.M.A.R.T. Goals. These goals are specific, measurable, attainable, relevant and timely. Setting S.M.A.R.T. Goals will help you understand what you want and how to achieve it.

Let's revise the goal "I hope to grow my investment" using S.M.A.R.T. criteria. It could be "Within two years of purchasing a rental unit, I hope to have a positive cash flow of at least \$500 a month." This goal is specific, measurable, attainable, relevant, and timely. Overall, it's a great goal!



## INVESTING RESOURCES

There are many real estate investing resources that you can reference:

- Canada Mortgage & Housing Corporation (CMHC)
- Canadian Real Estate Association
- Ratehub.ca

## HOW HANDS-ON DO YOU WANT TO BE IN THE PROCESS?

Most people who want to be hands-off with their real estate investments hire a property management company. It's easier, but it eats into profits. This means you may need to purchase more properties to reach your goals. If you're willing to be more hands-on, you can accelerate cash flow per property.

# WHAT KIND OF INVESTOR ARE YOU?

## INITIAL INVESTMENT GOALS:

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Before buying an investment property, it's important to establish your goals.



### CASH FLOW

In real estate, cash flow is the money left over after all operating expenses have been paid. As important as positive cash flow is, it's also important to remember that your tenant is helping you pay off your mortgage.



### APPRECIATION

The value of an investment increases over time, resulting in more profits for real estate investors. An important aspect of long-term real estate investing is to sell when your investment has reached a certain level of appreciation. Generally, increases can be attributed to changes in supply and demand or to changes in interest rates.



### BUILD EQUITY & WEALTH

Paying off your primary mortgage as quickly as possible is the easiest way to build equity. Building equity opens up the possibility of leveraging more properties, increasing cash flow, and accumulating wealth.



### PORTFOLIO DIVERSIFICATION

Diversification is a risk management strategy. By spreading out different types of investments, you can lower your exposure to risk due to the low correlation between each asset.

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## ONGOING INVESTMENT GOALS:

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Once you acquire your asset, you can use it as a springboard to grow your investment portfolio or increase your cash flow.



### REAL ESTATE LEVERAGE

It is possible to make financing for other investments easier by using real estate as collateral. A 20% downpayment, for instance, will get you 100% of a property. Leverage allows you to maximize your return by putting less cash into your investment.



### INFLATION HEDGE

A rising rate of inflation will increase the value of your home, which will allow you to pass on inflation to tenants in order to preserve the buying power of your capital.



### CAPITAL IMPROVEMENTS

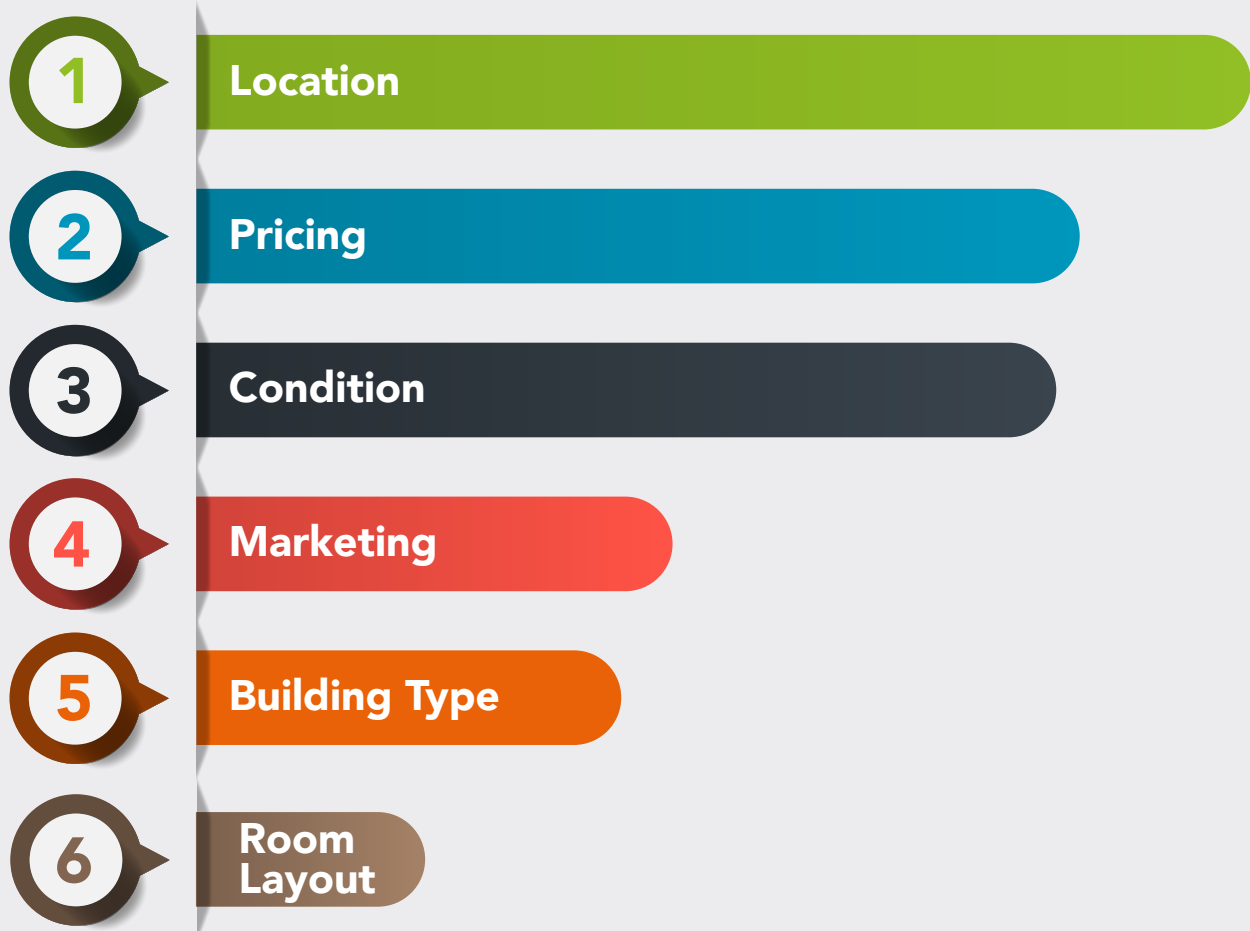
Renovations can also increase the value of a property. You can double the return on your investment by renovating a property. It is common for tenants to seek out properties with new paint, modern kitchens and bathrooms, and updated flooring. In terms of return on investment, painting is the best option since it enhances the aesthetics of a property at the lowest cost.

# HOW TO CHOOSE A PROPERTY

When a property shows well and rents quickly for a lucrative rate -  
we call this Rentability.

**QUICK RENTAL + BEST PRICE  
= RENTABILITY**

Rentability is made of 6 Factors - when searching for an income property, these factors are proven to make your life as a Landlord a profitable and enjoyable experience.





# WHAT DO TENANTS WANT?

Tenants look for a variety of things in a home, but some of the most common features and amenities that they prioritize include:

## **LOCATION:**

One of the most important factors for tenants is the location of the home. Tenants prefer homes that are close to public transportation, schools, parks, shops, restaurants, and other amenities.

## **SIZE AND LAYOUT:**

Tenants want homes that offer enough space for themselves and their families. The layout of the home is also important, as tenants often prefer open floor plans that make the space feel larger.

## **SAFETY AND SECURITY:**

Tenants want to feel safe and secure in their homes, so they often look for properties that have good security systems and are located in safe neighborhoods.

## **CLEANLINESS AND MAINTENANCE:**

Tenants want homes that are clean and well-maintained, with appliances and fixtures in good working order.

## **PET-FRIENDLY:**

Many tenants have pets, so they look for homes that allow them to bring their furry friends along.

## **OUTDOOR SPACE:**

Tenants often prefer homes with outdoor space, such as a balcony or yard, where they can relax and enjoy the fresh air.

## **PARKING:**

If the tenant owns a car, having a designated parking spot is important to them.

## **AMENITIES:**

Tenants appreciate homes with additional amenities such as a swimming pool, gym, or communal area.

# TYPES OF PROPERTY STYLES

Most renters prefer something a bit more home-like than multi-unit complexes. What are the alternatives for investors? Quite a few, actually!



## **SINGLE FAMILY HOMES**

A single family home has only one tenant and does not have a secondary suite. It's not uncommon for a tenant to stay for five to ten years in this type of property.

## **SUITED HOMES**

There is no better way to create two income streams than by having a legal secondary suite in your home. Having everything under one roof means having only one mortgage!



## **GARAGE SUITES**

Investors can create two income streams with only one mortgage by purchasing a home with a garage suite. Furthermore, they generally generate a substantial amount of cash flow each month.

## **DUPLEXES & MULTI-PLEX & CONDOMINIUMS**

These types of homes are popular with families because they still offer a good amount of space at a competitive rental rate.



# LEVERAGING YOUR INVESTMENT

When a tenant builds your equity, there are a few ways to leverage that equity to build wealth.

**1-10  
YEARS**

## **YOUR EQUITY AFTER 1-10 YEARS**

If you want to boost your cash flow, consider using your equity to renovate your asset to increase the rental rates.

In the event that your property is deteriorating and the equity isn't as high as you had hoped, it might be time to sell the property or do some DIY rental rehab.

**10+  
YEARS**

## **YOUR EQUITY AFTER 10+ YEARS**

You can expand your portfolio by using your long-term equity as a springboard to buy a new asset.

If the buy-in value in your city exceeds your equity, it's worth diversifying and exploring an investment in a different market. For example, buying in Edmonton can be as low as \$50k (20% down) for a two bedroom condo which is less than half the current buy-in in Greater Vancouver.

# WHAT CAN A REALTOR DO FOR YOU?

## Benefits of using a Realtor® for Real Estate Investing:

- ✓ Experience
- ✓ Contract Guidance
- ✓ Industry Contacts
- ✓ Location Savvy
- ✓ Improved Success Rate

## EXPERIENCE

A good Realtor® represents your best interests when it comes to the whole process - the purchase price, contract details, market information and getting the best return on your investment (ROI).

The skills of your licensed Realtor® will also come in handy when it's time to flip a property to turn a profit if that's the direction you want to go.

## QUESTIONS TO ASK ABOUT YOUR REALTOR'S EXPERIENCE:

1. How long have you been working in investment real estate?
2. Do you personally invest in real estate? If so, how many investment properties do you own?
3. What types of properties do you have experience with?
4. How many other investors have you worked with to purchase investment properties?
5. Can you show me some examples of investment properties you've helped other investors purchase?
6. Can you provide me with references?



# THE BASICS OF FLIPPING REAL ESTATE PROPERTIES

Flipping real estate properties involves buying a property, renovating or improving it, and selling it for a profit within a relatively short period. Here are some of the basics of flipping real estate properties:

- 1. Find the right property:** Look for properties in desirable areas that are undervalued, in disrepair or in foreclosure. Also, consider the potential resale value of the property after renovations.
- 2. Know your budget:** Determine how much money you can afford to spend on the property, including the purchase price, renovation costs, and any other expenses related to the project.
- 3. Plan the renovation:** Plan the renovations carefully, with a focus on what will add the most value to the property. Stick to a budget and timeline, and be prepared for unexpected expenses or delays.
- 4. List the property for sale:** Once the renovation is complete, list the property for sale at a price that will generate a profit after all expenses have been paid.
- 5. Market the property:** Market the property to potential buyers, using various methods such as open houses, online listings, and real estate agents.
- 6. Close the sale:** Once a buyer has been found, negotiate the sale and close the transaction.
- 7. Analyze your results:** Evaluate the success of the project by comparing the purchase price, renovation costs, and sale price to determine the profit margin.

Remember, flipping properties can be a risky venture and requires a good understanding of the real estate market, construction, and financial management. It's important to do your research and seek professional advice before embarking on a flipping project.

# TIPS FOR SUCCESS IN REAL ESTATE INVESTING

While investing in real estate can be lucrative, it's important to approach it with caution and a solid strategy. Here are some tips for success in real estate investing:

## **DO YOUR RESEARCH**

Before investing in any property, conduct thorough research to understand the local real estate market, property values, and potential rental income.

## **GET PROFESSIONAL HELP**

Working with a real estate agent, attorney, or accountant can help you navigate the complex world of real estate investing and avoid costly mistakes.

## **INVEST IN LOCATION**

Location is a critical factor in real estate investing. Look for properties in desirable neighborhoods with access to amenities like schools, shopping, and public transportation.

## **BE PATIENT**

Real estate investing is a long-term game. It may take time to find the right property and turn a profit. Don't rush into any investments without doing your due diligence.

## **HAVE A SOLID FINANCIAL PLAN**

Determine your budget and financing options before making any investments. This includes understanding your credit score, securing a pre-approval for a mortgage, and setting a realistic budget for renovations or repairs.

## **MANAGE YOUR PROPERTIES EFFECTIVELY**

If you invest in rental properties, be sure to manage them effectively. This includes screening tenants, setting reasonable rent prices, and maintaining the property.



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