BECOMING AN INVESTOR-AGENT

Rules of Engagement

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OVERVIEW

I believe that investing in Real Estate is the best path to realizing the American Dream. I was fortunate enough to have a great teacher when I first got started at the ripe old age of 23. Many people are not so lucky. For that reason, I've begun sharing the knowledge I've acquired with people across the country. One of the most important things I've learned about real estate investment? Agents earn money. Investors earn more money. Investor-agents earn the MOST money. There are a number of advantages to dipping your toes in both of these pools, and it's time for us to dive in.

WHY BECOME AN INVESTOR-AGENT?

In the U.S., 70% of residential properties are owner-occupied and 30% are tenant-occupied (investment properties). 95% of all agents practice traditional real estate and compete for 70% of the business – the owner-occupants. Only 5% of all agents service investors. They operate in a vacuum to service 30% of the business – the investors!

Traditional agents typically devote all of their time to servicing one owner-occupant at a time with one transaction per client. This generally amounts to 12 clients per year, or one per month.

Unlike traditional agents, investor-agents work to earn the right to do business with a client every month. The difference here is that the client will buy multiple properties within a year, rather than the one transaction that occurs with normal clients. So there is a compounding effect that begins to occur from the start. By following this model the investor-agent can participate in not 12, but 72 transactions in a year!

I could go on and on about the benefits of the investor-agent role, but the point is this: having knowledge in one area feeds into having knowledge of the other. If you are an agent, you should be investing and working with investors. If you are an investor, you should get licensed as an agent and use that knowledge to find the right properties for your clients. The rules of engagement for each role are different, however. I've gone into detail one how to approach each side of the coin to maximize profitability and success below. Let's get started.

INVESTOR RULES OF ENGAGEMENT

When it comes to investing, there are generally three routes you can take: flipping, rentals, and wholesaling. Each approach has unique considerations to take into account, but there are some through lines you'll notice as well.

FLIPPING AND RENTING

While they're different, the strategies for these two types of investment have quite a bit in common. You aren't living in this house (as far as I know), so don't treat the house like you are. Your job is to assemble data that will tell you what areas are selling the most houses with the highest returns. There are important criteria to follow when locating flip and rental properties, and I've broken those down for you here.

Neighborhood

- **Flipping:** Avoid high-end neighborhoods; the ROI often isn't substantial. Lower-income neighborhoods can be good, but middle-class neighborhoods with financially stable homebuyers who might be buying for the first time are the golden ticket. If the neighborhood has cars on blocks, boarded up windows, and nobody out and about, turn around and RUN.
- **Renting**: Rental properties are everywhere, but low- and middle-income neighborhoods are generally ideal. Target areas where police stations, stores, hospitals, schools, and parks are nearby.
- **Demographics:** Consider the typical sex, age, income, home value, and rent/ownership ratio in each neighborhood. You can find Multi-List Systems for this online.

Property Types: There are a few property types that are prime targets for flipping. The same can be said for renting. I've listed them below:

- **Flipping:** Banks often have lists of troubled assets that are perfect for investors to snatch up, flip, and sell. REO properties have been taken by the bank after foreclosure, while short sale properties are in default but haven't been foreclosed on. Estate sales occur when a homeowner dies and the inheritors can't deal with the extensive repairs and remodeling needed.
- **Rentals:** The two basic methods for optimal rental investment are turn key investments and wholesaling. Turn key properties are bought like you would buy a regular property: a down payment, mortgage, and note cover the costs, and no extensive remodels are required. We'll go into wholesaling a minute, but buying turn key properties in a slow market is the way to go for rentals.

FLIPPING AND RENTING

Once you've acquired all of this information, it's time to conduct your analyses. Two types of analysis are ESSENTIAL for proper investments: financial and physical. There are different things to take into account, but here are the basics:

Financial

- **Flipping:** Paring down your target properties is the next step. Using your criteria, search MLS online and narrow that list down to about 30 properties. Drive by each property and cut that down to 10-15. Further narrow the list to seven, and then tour each home until you're down to four. For these four, create your cost and MAO sheets.
- **Renting:** The process for finding rental properties is very similar to the one for flipping. The primary difference is the addition of a cash flow analysis. For assistance with this, visit: https://www.rentalpropertyreporter.com/resource-center/investment-property-analyzer/

Physical

Once you have identified properties priced at or below market value for the neighborhoods they are in – and with negotiation you can get the prices down even further – it is time to do the physical inspection (after you do drive-bys) of the property to determine what is needed for rehab and how much it is going to cost.

Determining your final costs - using MAO, ARV, and a variety of other tools - is the final step to this process for when you begin to make offers. More on that in another eBook. For now, let's move on to the last method of investing: wholesaling.

WHOLESALING

Wholesaling can be an especially useful method of investing for people low on funds or low on time. The process involves buying the contract for a house from Party A, the seller, and selling the contract (and therefore the home) to Party C, the buyer. YOU are Party B, the wholesaler. The process isn't simple (nothing ever is), but it is straightforward:

1. Secure buyers FIRST. Do not purchase wholesale contracts before you have buyers lined up or you increase your risk of losing money. To find buyers, market and advertise through social media, Craigslist, direct mail, yard signs, and your own website. Sell yourself as the go-to real estate expert in your area.
2. Become an agent for sellers in your area and offer to put their properties up for wholesale. Be sure to agree on final asking price, and don't forget to determine how much you'll make (usually whatever is made beyond the asking price)
3. Sell the contract. To do this, create a portfolio of photos, descriptions, and financial projections for the buyers and market it to your established buyer base. If you put together a sweet deal, you'll get a bite in no time.

If you end up with a property that you're uncertain of whether to flip, rent, or wholesale, there is one more option: the lease option. This works especially well in a tight money market where borrowing is difficult. All this means is that the property is rented with a normal lease containing an option; for a fee, the tenant will be able to take advantage of that option to buy the property at a later date. If the date expires, you can extend the option for an additional fee or simply keep the tenant on the lease. This is a nice hybrid approach you can use to cash in.

AGENT RULES OF ENGAGEMENT

I know; that was kind of a lot. Lucky for you, the agent rules of engagement are significantly easier to understand because they all center around one concept: proper representation. As an agent, your goal is to be the best possible representative for a variety of different parties.

To do that, you first need to get licensed. This includes both state and national licensing, both of which require 30 hours of classroom (online or in-person) learning and a successful exam. Once you're licensed, your license must be contained in a real estate firm that you represent. You now know the basics of real estate law and are ready to actually start learning how to practice real estate. To learn best practices, join associations, partner with other realtors, take more classes, and buy books on the subject.

Now on to representation. Here's a rundown of the different parties you might represent and their individual features:

- **Sellers:** Your most typical real estate relationship. You represent someone trying to sell their property for profit, and your job is to ensure that you maximize the financial benefits for this person. This is called fiduciary duty.
- **Buyers:** More common in commercial brokerage than residential, this relationship involves you representing a party looking to buy property. Your fiduciary duty to your client means you are trying to get them the best property for the lowest price, minimizing financial costs and, if this is a business like a fast food franchise or another kind of investor, maximizing the possibility of financial benefit.
- **Landlords:** Agents may also represent landlords looking to lease multiple properties to a number of different tenants. Your job here is to locate potential tenants and negotiate leases for each property. This can be useful for transitioning from residential to nonresidential brokerage, as it exposes you to property owners, tenants, and the available inventory of properties.
- **Tenants:** The flipside of representing landlords, representing tenants involves similar duties: locate properties and negotiate leases. This can be for businesses and individuals and can be a great way to build a network of clients and referrals.

ACHIEVE FINANCIAL FREEDOM

There you have it; the basic ins and outs of being an investor and being an agent.

By combining these two related roles, you can properly leverage your knowledge in each area to ensure your success in the other. You'll get the chance to meet more investors that will help you and may even end up as clients (they're a lot easier to manage since they know what they're doing).

As your business grows, you can hire a team, take on more diverse properties, and make lifelong friendships with other people in the same field. By following these steps, you'll be on your way to achieving financial freedom in no time. Godspeed!