



INVESTOR'S GUIDE

**Tips & Information for making your
property investment dreams a reality**



A publication by The Deutschmann Team

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INTRODUCTION



Real estate is more than finding your perfect home - it also has incredible investment opportunities. The goal of an investment property is to make money. You want to invest your money today and watch it grow. You'll want to make sure that you are covering the risks to ensure that your real estate investment will result in a profit. Seems like a simple solution, right? Purchase the property and turn a profit. Well, don't mistake simple for easy.

We understand that a property investment can be a complicated venture. Knowing where to start can make the difference. We have created a guide to help introduce you to real estate as an investment and help you understand the basics of investing in real estate and which property is the best option for you.

Our Investor's Guide will provide tips and information to make your investment dream a reality. Let's get started!



KNOWING THE COMPONENTS



THE WHY OF INVESTING

Before we delve into the different aspects of real estate investment, you'll first want to ask yourself why you want to invest in real estate. Are you excited by the prospects of managing rental properties, or are you looking for a way to put a little extra money in your pocket? You'll need to determine your goals and from there you will be able to create a game plan for your investment.

THE BENEFITS OF REAL ESTATE INVESTMENTS

Investing in real estate can be a complicated and challenging process - it isn't as simple as buying a stock. Despite the inherent risks, the rewards can be more than worthwhile.

TAX INCENTIVES

There are definite tax benefits to investing in real estate. Your investment is given the time to grow and you can deduct certain expenses from your income, such as property taxes, mortgage interest and property management. Real estate is a good investment when tax-free capital gains are added to the power of leverage, which magnifies your return.

MONTHLY INCOME

Most investments don't pay out regularly and can be a source of unpredictable income. A real estate investment can provide you with a regular monthly income through rent.

DIVERSIFY YOUR INVESTMENT PORTFOLIO

A real estate investment can support other investments to create a strong portfolio. Diversification can help balance risks and give you confidence knowing that your investments will still be intact when you liquidate them.

UNDERSTANDING THE RISKS



THE CHALLENGES OF REAL ESTATE INVESTMENTS

Real estate investments require a significant amount of special attention. You need to make careful choices and weigh the costs and benefits.

COSTLY

Real estate investments can be costly to purchase and maintain. Since you are financially responsible for maintaining the property and replacing items as needed, you may find your extra income dwindling.

A BIG RESPONSIBILITY

You are responsible for paying the mortgage, taxes, and the general costs of maintaining the property. When you invest in real estate property, you also have responsibilities as a landlord.

SELECTING THE WRONG AREA

Real estate can be a complicated venture and it involves more than purchasing a property. You'll need to find the right property, in the right area, and where people want to live. Selecting the wrong area could impact a property's rentability.

MANAGING YOUR INCOME

You'll need to ensure that the amount of rent you are charging covers all financial aspects of your property. If the rent only covers your mortgage, you'll still be spending additional money to cover taxes and repairs.

A LONG-TERM INVESTMENT

The majority of real estate investments should be considered long-term. The unpredictability of the real estate market could affect any expectations to turn a quick profit.

ARE YOU READY FOR AN INVESTMENT?



You'll need to think of an "exit strategy" before you buy any type of investment property. So which strategy will work best for you?

FIX AND FLIP

This method works best if you're looking for a quick plan, with an approximate run of 3-6 months.

FIX AND RENT

A long-term strategy that involves purchasing a "fixer-upper," making the necessary renovations, and then renting it out.

NEW BUILDS

A long-term strategy (typically 2-5 years). It can be a strong strategy, but it also carries extra risks. You should also only pursue this strategy after careful consideration and consultation with your lawyer, financial planner, and Realtor.

BUY AND HOLD

Another long-term strategy, however it involves purchasing a property without the intent on selling. You will also need to consider how involved you want to be with your property, especially on a day-to-day basis. If you want to be involved with your tenants and are ready to get your hands dirty, you'll be comfortable with a detached home or small multi-plex. However, if you're looking for a hands-off approach, a condominium investment might be the right choice.



TYPES OF REAL ESTATE INVESTMENTS



DO YOU KNOW WHAT KIND OF PROPERTY YOU'RE LOOKING FOR?

When you're investing in properties, there are multiple ways in which you can turn a profit. But, before you choose how you will be making your profit, we need to examine the different types of investment opportunities available to you: Residential or Commercial.

WHAT IS A RESIDENTIAL PROPERTY?

A residential property is typically a single-family property, which may be a house, townhouse, or duplex. As a residential investor you would be acting as a landlord and would be responsible for finding tenants, paying the mortgage, and maintaining the property. Residential investment property can also include improvement properties, which require a significant amount of personal investment to flip the property. The improvement property can then be used as a rental property or sold for profit.

WHAT IS A COMMERCIAL PROPERTY?

A commercial property would be categorized as anything that has four or more units, thus an apartment complex would be considered a commercial investment. Other examples of commercial properties include offices, retail space, and industrial buildings. With a commercial property, your tenants are providing you with your profit.



INVESTMENT OPPORTUNITIES



Once you've selected your exit strategy, you'll need to decide whether you're looking to invest in residential or commercial real estate.

CONDOMINIUM

Arguably the easiest type of property to own, as most of the work is taken care of for you by the Condominium Corporation (CC). The CC is legally responsible for maintaining the complex and common element areas and managing the corporation's finances. You are required to pay a monthly amount known as a condominium fee. A condominium can be an apartment unit or townhouse.

CO-OP

Rather than owning an actual piece of real estate, you own a share certificate in the corporation, which owns the building. There are risks associated with a co-op. Financing can be difficult to obtain and co-ops enjoy fewer statutory protections and safeguard than condo owners. Additionally, reselling a co-op is traditionally more difficult than selling a condo.

HOUSE

A single family unit can take multiple forms, including a bungalow or two-story home. If you have a little more experience with residential properties, you may want to try your hand at a duplex, triplex, or fourplex. This gives you the added dimension of tenants, while financing would still be considered residential rather than commercial.



DEVELOPING A SUCCESSFUL TEAM



You've seen the advantages of investment properties, you've picked your exit strategy, and your property type. Now is the time to start assembling your success team. You should be choosing members of your team that have the ability to meet your goals and cost. Your success team should consist of:

LAWYER

Look for a real estate lawyer who specializes in closing real estate deals.

ACCOUNTANT

The right accountant will be able to provide advice regarding buying/selling investment properties.

MORTGAGE LENDER

Do your homework. Depending on your credit history and circumstance, you may benefit by using one source of mortgage loans over another (bank vs mortgage broker).

HOUSE INSPECTOR

An inspector will carefully investigate a property's major systems (plumbing, electrical, heating, roof, foundation, etc) and point out any repairs that may need to be addressed.

INSURANCE AGENT

Insurance can be a complicated purchase. Make sure your coverage is adequate for your needs.

A Realtor is the final piece of the puzzle. They will be with you every step of the way during your investment journey

KNOWING WHERE TO FIND THE BEST INVESTMENT OPPORTUNITIES



KNOW WHERE TO FIND THE BEST INVESTMENT OPPORTUNITIES

You've made the decision, you know your goals, and you know what kind of property you'd like to invest in. So how can you find it? Real estate investment is a popular form of investment in Canada and this can work against you. By the time you hear about a property, it could already be too late. Some of the best deals may be gone before they're even listed, such as bank foreclosures, estate sales, and vacant homes. Invest less time in searching for a listing and turn towards a realty office. Realtors approach one another with attractive opportunities, especially when they know there is an interested client.



CREATING A BUYING STRATEGY



Preparation and planning are the essential keys of success when purchasing an investment property. You'll need to develop a pre-determined shopping list of 'needs' and 'wants' for your investment property.

EXAMINE LIFESTYLE AND BUDGETING PRIORITIES

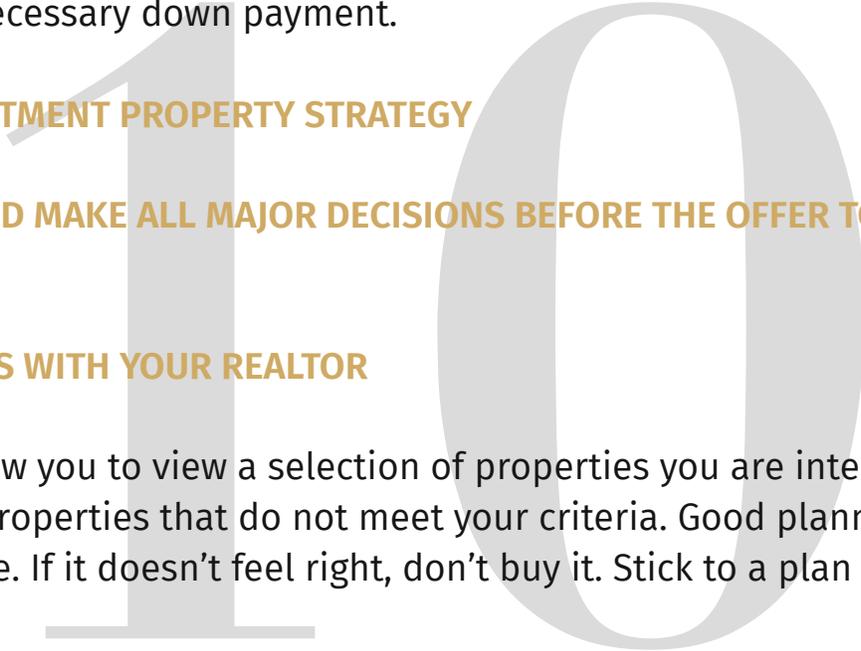
What can you afford? Your mortgage pre-approval will help determine what you can afford and the necessary down payment.

CREATE AN INVESTMENT PROPERTY STRATEGY

DO RESEARCH AND MAKE ALL MAJOR DECISIONS BEFORE THE OFFER TO PURCHASE IS SIGNED

DISCUSS OPTIONS WITH YOUR REALTOR

Planning will allow you to view a selection of properties you are interested in and stay away from properties that do not meet your criteria. Good planning can equal a lower search time. If it doesn't feel right, don't buy it. Stick to a plan and keep looking.



ONCE THE INVESTMENT PROPERTY IS FOUND



Congratulations, you've found the right investment property for you! What is your next step?

You'll want a Realtor on your team that can create the best negotiating position for you and negotiate the best price.

A Realtor with weak negotiating skills can spoil the purchase by:

1. Over negotiating
2. Insisting on too many conditions
3. Recommending a weak deposit

If you find yourself competing with multiple offers, consider writing an offer for the most that you want to pay and remove any unnecessary conditions.

Important real estate transaction dates:

1. The Irrevocable Date: How long the seller has to accept your offer
2. The Conditional Date: Latest date the conditions must be met in the offer
3. The Requisition Date: Unforeseen issues are addressed
4. Closing date: Congratulations!

Closing day tips:

Fridays are good closing days as it gives you the weekend to organize. Avoid the end of the month as lawyers are trying to meet their end-of-month deadlines.



UNDERSTANDING THE COSTS



The cost of an investment property is more than just the price of the property. Although all may not apply, here are some of the extra costs involved with investment property purchases:

HST: New housing rebate provided if property is less than \$450,000. Most resale properties are exempt from HST. For brand new investment properties, offer should state if cost is plus HST or included.

APPRAISAL FEE: Basic cost \$150-250 if loan is not insured

PROPERTY INSURANCE: Covers replacement value of property, security for mortgage

PREPAID TAXES/UTILITY: Reimburse vendor if some bills are prepaid beyond date of closing

LAND TRANSFER TAX: Varies between 1-4% depending on the property's purchase price

LAWYER: Range based on complexity of closing deal - will start around \$700

MORTGAGE LOAN INSURANCE & APPLICATION: Mortgage lender requires loan insurance provided by CMHC or a private company. Cost will be between 0.05%-3.75% of total mortgage plus application fee \$75-\$250

STATUS CERTIFICATE: For condominiums, outlines financial and legal status \$100

CONDO FEE: Monthly maintenance fees

INVESTMENT PROPERTY INSPECTION: Fees range between \$150-\$400

CONTENTS INSURANCE: Covers replacement cost of tenant's belongings. Ask tenant to sign waiver for coverage.

MORTGAGE FINANCING TERMS YOU NEED TO KNOW



DEPOSIT: Money used for purchase of property

DOWN PAYMENT: Includes all money paid for the real estate except the mortgage. This is not the deposit

TERM: Length of time you have a Set Interest Rate. Varies in lengths of time and you can opt for open terms with no set interest rate.

AMORTIZATION: The length of mortgage and time in which the entire debt will be repaid. Most mortgages are 15, 20, 25+ years. Longer periods of time equal lower scheduled payments, although they can accrue higher interest in the long run. Shorter amortization allows you to save on interest payments.

CONVENTIONAL MORTGAGE: Up to 80% of property's appraised value and purchase price

GROSS DEBT SERVICE RATIO: Annual mortgage and related costs set as percentage of your gross annual income

TOTAL DEBT SERVICE RATIO: Total of annual mortgage payments, including all other debts, set as percentage of your gross annual income

HIGH RATIO MORTGAGE: Mortgage for more than 80% of your property's appraised value or purchase price

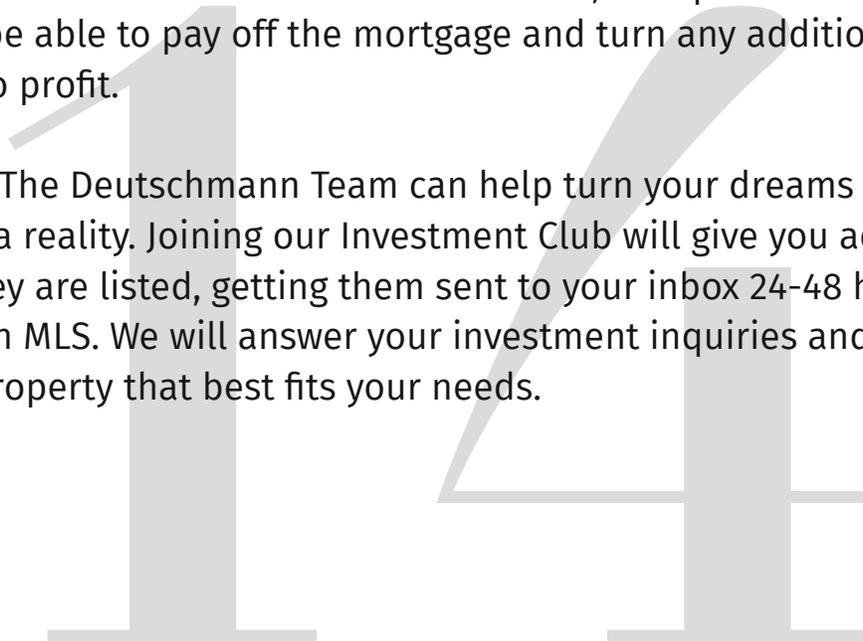
INVESTING IN KITCHENER-WATERLOO



READY TO INVEST IN REAL ESTATE?

If you're looking to create a little more income, then real estate investments may be perfect for you. Investors in Kitchener-Waterloo have profited from buying, selling, renting and flipping houses. The Real Estate Investment Network ranked Kitchener-Waterloo as the #2 best town to invest in. Real estate investments require time and patience in order to build wealth. However, with patience and the right property, you'll be able to pay off the mortgage and turn any additional rent or appreciation into profit.

Connecting with The Deutschmann Team can help turn your dreams of real estate investment into a reality. Joining our Investment Club will give you access to properties as they are listed, getting them sent to your inbox 24-48 hours before they are listed on MLS. We will answer your investment inquiries and help you find an investment property that best fits your needs.



THE DEUTSCHMANN TEAM



Working with The Deutschmann Team to find your dream home is as stress-free as the home buying process can be. We work hard to ensure that our clients find their ideal home by keeping them up to date on new listings, watching existing listings for opportunities and communicating openly with our clients throughout the entire process.

The Deutschmann Team offers over twenty years of sales management and marketing experience, working in high-level sales environments where we have been awarded and recognized as top-producing sales representatives. We specialize in resale, luxury home sales, and new home/condo construction. We also represent two well-known and respected builders in Kitchener-Waterloo, which allows us to connect with buyers and sellers on a daily basis.

Signing up with The Deutschmann Team ensures that you get new listings sent to your inbox 24-48 hours before they are posted to MLS, giving you a leg up in the market and a better chance at landing the home you've been dreaming about. If you are looking for a realtor that will work tirelessly to meet your needs, be committed to understanding exactly what you want and need from your new home and will ensure open and honest communication throughout the process, you've found your team.



THE
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