

Discovering Your Niche w/ Cindy Wennerstrom

Presented February 2011 Exclusively to the Members of REIN™

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DISCOVERING YOUR NICHE & ITS POSSIBILITIES

With Real Life Examples
By; Cindy Wennerstrom

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Tonight's insights:

Renovating to Refinance
(Buy, Reno, Rent, Refinance, Repeat)

&

Lessons Learned

A Proven Strategy

Finding your niche & sticking to it is a key element of success!

- Affordable homes in areas of gentrification with generous cash flow.
 - Appeal to 2nd round buyers
 - < \$500k w/income potential
 - \$15-\$75k Reno fund
- Toronto's SE end is where it's at!



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Areas of Consideration
Based on Economic Fundamentals



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The Tenant Focus

- Young professionals & single baby boomers who wish to live in updated homes with a great neighbourhood vibe
- Updated, well cared for properties with all amenities
 - i.e. private laundry
- Tenants = potential exit strategy
- Attract tenants who ;
 - Pay their rent on time
 - Provide referrals
 - Respect the properties
 - Open to rigorous screening



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Change of Use, Renovations & Refinancing

- The "perfect" investment is RARE
- Be innovative to create positive Cash Flow
- How can you do it?
 - Find homes with two or more units or that have the ability to be easily split
- Then What?
 - Renovate, Refinance & use the profit to invest in the next property!



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The Keys to a “Golden” Property?

- Solid Structure
- Majors all up to date
 - Electrical, roof, furnace, A/C, waterproofing
- High “enough” & dry basement
- Split-ability - Ease & cost of transition to 2 units
- Number of current entrances & bathrooms
- Curb appeal-“ability”
- Neighbourhood/neighbours
- Parking - 2 car suitability for City requirements
- Ability & ease of obtaining City Permits

EXAMPLE OF RENOVATING TO REFINANCE

Case Study: Riverdale



Reno Case Study: Riverdale

The Purchase:

- Single Family home for \$412,500
- Desirable pocket of South Riverdale

The Strategy:

- Private lender to fund renovations (\$75k, 6.5% Int. 12 mths)
- Finish existing bare bones basement
- Convert to TWO separate 2 bedroom units
- Refinance & pay back loan immediately

The Reno:

- Invested \$75,000 completed in < 3 months

Work Done to Property

Main/Upstairs Suite:

- Replaced all flooring upstairs with Hardwood
- Painted throughout the entire house
- Added closets
- Converted laundry room to full kitchen w/laundry
- Updated bathroom
- Landscaping

Main/Basement Suite:

- Created 2 large bedrooms
- Created full bathroom
- Added Laundry
- Replaced windows & door
- Replaced furnace, Hot water tank & added A/C
- Waterproofed
- Added sump pump & sewage discharge tank
- Added Microwave w/Fan & Dishwasher to kitchen

Before & After of Front Yard

Curb Appeal is Key! \$200 Cost = RENT ME!



Main Floor Kitchen

Tired cupboards come alive with paint & new hardware
New Hardware, dishwasher & micro/fan = inexpensive facelift



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The Tenant Result

- Single Baby Boomer in the upstairs desiring a long lease.
- Young professional couple in the main unit who are saving for a future purchase.



The Math: Rent Results

Monthly Rents

Main/Basement	\$1,545
Main/Up	\$1,500
Parking	\$50
TOTAL	\$3,095

NOTE: Tenants pay all Utilities

The Math: Refinancing Results

Purchase Price	\$412,500
Refinanced For	\$525,000
Difference	\$112,500
80% to Re-Invest	\$90,000
Investor Loan	\$75,000
Loan Interest	\$4,875
* Profit Pocketed	\$10,125
ROI 12.7%	
** Total Profit	\$32,625
ROI 40.8%	

* Profit Pocketed = 80% reinvested - loan - interest
** Total Profit = Difference - loan - interest



The Financial Results

	Annual	Monthly
Rent: Expenses:	\$37,140	\$3,095
Heating Type (GAS-forced Air)	\$467.52	\$0
Electricity	\$1,909.20	\$0
Water / Sewer	\$1,061.16	\$0
Taxes	\$3,053.00	\$254
Insurance	\$850.00	\$71
Annual Termite Inspection	\$0.00	\$0
Vacancy Allowance	4.2%	\$130
Repairs & Maintenance	5%	\$155
		Reserve Funds
		\$959
TOTAL MONTHLY	\$919	
NET INCOME BEFORE DEBT=	\$2,176	
Mortgage @ Refinanced Level (2.5% 35 yrs)	\$1,501	
TOTAL NET MONTHLY INCOME =	\$674	

So, Would 'YOU' buy THIS Property?

- The Stress Test:**
 - At 5% interest still have:
 - \$74/mth positive cash flow
 - + reserves of \$285.20/mth
 - TOTAL \$669 per Month** including management.
- Hold property for 5 years:**
 - Sell for \$625,000
 - Assumption 3.55% Growth/yr
 - Potential \$100,000 Profit
 - Minus \$31k Commissions
 - Plus \$40k Cash Flow
 - (\$674 x 60 months)

\$110k+ Profit in 5 years = 105% ROI!

What have I learned?

KEY INVESTOR TAKEAWAYS

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Lesson #1: Hire Experts!

- Determine your personal niche.
- Monopolize off your forte & hire the rest out.
- The savings from costly mistakes and wasted time will far outweigh the cost of hiring an expert.
 - An expert has years of mistakes under their belt!

Lesson #2: Know Your Limits!

- Focus on **ONE** thing, control it **BEFORE** delving into something else.
- Focus = Control
- Control = Time
- Time = Money

Lesson #3: Create YOUR Plan & DO IT!

- The biggest mistake you can make is not making any mistakes at all.
- We learn by doing.
- Surrounding yourself with experts & ask questions.
- Before you jump in, ensure you know how to analyze a property's cash flow.

Lesson #4: Buy RIGHT!

- Don't look at why a building won't work.
- Look at why it **WILL** work.
- You don't have to buy cheap to buy well.
- Have flexibility in your reno budget.
- Considering what others won't = negotiation power!

Lesson #5: Reduce Risk of Vacancy!

- Stick to your plan!
- Two incomes are key! Search for duplexes or opportunity to duplex.
- Think ahead – get places rented before you have the keys!

Lesson #6: Know your Tenants & Rents!

- Know your tenant profile.
- Match tenant personalities.
- Know market rents but DON'T be the same.

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Lesson #7: Vision & Confidence!



What's "your" vision?

- Anyone can Renovate!
- You simply need the Confidence to do so!

Lesson #8: Be the best in Class!



What would you pay to live here?

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"Remember... There are a million excuses 'not' to do something. Join the ranks of action takers today and change your destiny!"