Why Can't We All Just Get Along?

How Real Estate Agents And Investors Annoy Each Other, And How To Make It Work!

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With our focus on real estate investing and dealing with both investors and real estate agents, it's amazing how often we hear the complaints from both sides:

"I'm tired of real estate agents that just don't 'get it'.
I can't find a good agent to work with."

"I'm sick of investors who waste my time.
I'm done trying to work with investors."

It's almost like they speak different languages! The biggest challenge we've found is that most of the time, relationships between an investor an agent break down because of a lack of communication. Each side doesn't really understand what the other does. They don't see what their goals are, or what motivates them. They usually don't have the basis to understand where the 'other side' is coming from.

The purpose of this report is to shed some light on some of the many reasons that so much frustration comes from investors and real estate agents. Then, we'll give you some ideas on how to build a successful relationship with a real estate agent.

As a smart investor, you probably already recognize that having a good real estate agent is a critical component of your team. There's no question that a good agent helps you succeed in real estate investing. Therefore, it's in your interest to learn how best to deal with them, how to identify a good one, and how to build a mutually profitable relationship.

Why Most Investors Annoy Agents

1. They don't understand how the real estate industry actually works

Most investors don't know how the industry actually works from an agent or brokerage perspective. For example, they don't think about where the commission is coming from for a deal. As well, they also don't understand the concept of agency relationships and the duties and obligations that are imposed on an agent. As a result, the investor operates in such a way that may not fit into the policies, procedures or expectations of an agent.

2. They don't have an investing or strategic plan developed

More often than not, investors are eager and excited to "get out there and buy property" and haven't spent the necessary time sketching out what it is they are actually trying to accomplish, and how they intend to accomplish it. They then start working with an agent, and give them poor and vague direction. The investor doesn't know what a deal is going to look like when they see it, and the agent doesn't really know what to look for. This wastes a lot of the agent's time and results in frustration on both sides.

3. They insist on using strategies that don't fit a particular offer, or do not work in the particular market

One of the biggest challenges for agents in Canada is that a large percentage of training and education for real estate investors originates in the U.S., and many of the tactics and strategies do not apply or work in Canada. As a result, something that the investor learns as an effective strategy cannot be used in the local market. When the investor tries to use these kinds of tactics with the agent, this tells the agent they don't understand what they are doing – and communicates to the other side that the agent doesn't either.

The same holds true for some investing strategies that work in one U.S. state, but do not translate easily into another. Lease-options can be an interesting strategy to apply in some states, but you can get yourself into trouble doing them in Texas. Unfortunately, a lot of investors learn generalized strategies and do not have the knowledge to apply them correctly, which creates challenges with the agent.

4. They forget or ignore that the agent is human, and has to deal with their relationships today and into the future

An agent doesn't work in a vacuum, and many investors seem to forget that when an agent makes a "ridiculous" offer that cannot be justified to the other side, this often reflects poorly on the agent. Since the investor doesn't see the interaction and reaction from the other side, they often don't appreciate the stress, tension and embarrassment that can occur. It shouldn't be a surprise that an agent doesn't want to be placed in that kind of situation.

Additionally, if an agent generates a negative reputation by repeatedly making "ugly" offers, it may be difficult for them to get access to many good deals (eg: pocket listings in the office that another agent has – but doesn't want to work with your agent because of their reputation.)

5. They are unwilling or afraid to pull the trigger when a good deal comes along

This is perhaps the most frustrating of all things to an agent! They work hard to find a great deal on a property, they spend a lot of time with an investor client, and they come across the perfect property based on what the investor has asked for – and for no good reason, the client just doesn't seem to be able or willing to go ahead.

This is often because the investor hasn't been upfront with the agent about something – such as not having the cash to do the deal – or the investor allows fear to get in their way.

6. They utter the 3 most horrific words a real estate agent can hear: *"No Money Down"*

It is critical to understand that in real estate, a fair amount of negative history and publicity has portrayed the "no money down" arena of investing in a negative light. As a result, the stereotype among agents who don't understand creative financing immediately assume that they are risky, illegal or somehow not legitimate deals. They also think that "legitimate investors don't do things like that".

Tell an agent early in the process that you want them to bring you "no money down deals" is the best way of ensuring that agent will not want to work with you. That doesn't mean that they won't work with you on those kinds of deals once they know you are legitimate – but when those are the first words out of your mouth, it immediately puts an agent's defenses up and they are instantly skeptical.

Also, keep in mind, most agents do what they do to create commissions – and one of the immediate thoughts they have is, "if there is no money involved, how am I going to get paid?"

7. Not being willing to provide the agent a commitment through a buyer's agency agreement

Because there are so many agents in the business, many investors feel no need to be willing to commit to a particular agent. They are not willing to sign any kind of buyer's agency agreement, and tell the agent "if you bring me a good deal, I'll work through you on it". Not only does this communicate a lack of respect for the agent's time, it also shows a lack of legitimacy on the investor's part.

All agreements are negotiable in real estate, and a professional or sophisticated real estate investor should be willing to enter into an agreement with an agent, at a minimum that says they agree to work with that agent through any properties they introduce to the investor. Not being willing to "sign anything" is a clear indication to most good agents that the client is not going to be a long-term one, and are not really interested in building a relationship.

You have the choice of working with more than one agent at a time – some investors think this keeps their options open, and allows them to find more deals overall.

However, without committing to one agent, it's unlikely that any one of the agents is going to be motivated to bring the deals they find to an investor who doesn't respect or appreciate them enough to work exclusively with them.

8. They fail to understand the agent's motivations, goals and objectives

Some investors seem to forget that real estate agents are not robots! They are human, and go through all of the same emotional and financial challenges that investors do. They have their own goals and reasons for what they do. Just as every agent is not in the business simply for the commission, some agents are not willing to learn or grow beyond what they already do. A smart investor recognizes that by understanding what makes the agent tick, they are able to create opportunities that may not be obvious on the surface. Many creative opportunities are overlooked simply because the right questions are never asked of the agent.

9. They fail to treat the relationship as a professional one

Many investors seem to think agents are "a dime a dozen" and treat them accordingly. The truth is, there are a lot of agents in the business – but there are not very many great ones. Over 90% of the real estate business is done by less than 10% of the agents. As a result, it's imperative that you treat your relationship just as you would with any other professional such as a lawyer or accountant. The good agents will respect and appreciate that you do so, since they know that successful and legitimate investors treat their investing like a business.

Why Most Agents Annoy Investors

1. The industry's standard training and education programs spend absolutely no time on real estate as an investment

Unfortunately, agents are not trained by the industry to understand creative financing, laws affecting investors, or other important areas of knowledge. People will focus on the things they understand, and avoid things they do not understand. Therefore, most agents tend not to spend time learning or trying to understand real estate investment.

2. Most agents are not investors themselves – and therefore do not think like them

They often look at a property through the eyes of a homeowner, not from an investor's perspective (or a tenant's). As a result, the "pretty house" syndrome sets in, and they evaluate properties by what they look like as opposed to whether the numbers work. The truth is, most agents do not know how to actually calculate the ROI on a particular property other than potential gross rents it will attract. Many properties listed on the MLS system are marketed as "Great investment property" when they simply are not. This isn't because the agent is trying to be deceptive – it's because they just don't know the difference.

3. They don't want to appear like they lack knowledge or intelligence

A confused mind always says "no" – and in real estate, an uninformed agent always says "you can't do that". They may not really know one way or the other, but it's much easier to say it's not possible rather than risk saying it is. Saying no and doing nothing is much easier and more comfortable than doing something new. Just like anyone, an agent doesn't want to be placed in a position where they will be embarrassed or appear as though they lack knowledge.

4. Working with buyers is more time consuming than working listings, so many traditional agents place working with buyers as second priority

Many agents would rather take listings than work with buyers. This is because some believe that taking a listing, placing a sign in the yard and waiting for another agent to sell the house is easier than putting someone in their car and driving them around all day. The truth is, taking on a new buyer can be a very time consuming task for an agent.

As a result, many agents look at buyers as a secondary source of business – and investor buyers often get even lower priority. Agents that carry several "retail" listings usually do not have the inclination to work with an investor, since they don't have the time to truly specialize in it.

5. They've had negative experiences with investors in the past (or with their own investing) and assume that all investors are the same

Since many agents don't really know how investors work, they can't even tell the difference between a good investor client and a bad one. The ongoing "get rich quick" programs, books and seminars claiming that making millions of dollars in real estate is easy makes them skeptical of most investors before they start. "After all," the agent thinks, "if it's so easy, why aren't I making millions?" Some agents have tried investing themselves and didn't have a positive experience – "It didn't work for me, so it doesn't work for anyone".

6. Most agents see investor clients as "extra" or added business, but cannot base their business on investors only

Since most agents focus their energy on 'traditional' real estate transactions, they only look at investor clients when time allows and the opportunity comes along. Their business is not tooled specifically to cater to the real estate investor, and they are simply not able to provide a focused service to the investor. They are more interested in generating business from the "retail" side of the business (eg: listing and selling homes for owner/occupied clients), because they perceive it's easier and there is more business to be had in traditional real estate.

7. Most agents are poor negotiators and don't know how to ask questions properly

Unfortunately, sales and negotiations are skills that are not taught in any of the industry standard programs or educational seminars. Unless an agent is willing to pay to attend optional training courses, it is likely they have never been trained on effective negotiations or selling skills. As a result, they do not communicate or receive the needed information to benefit the investor in a given negotiation. If they're working on a creative situation, they don't know how to structure the deal, and don't have the confidence to present properly to the other side.

8. Human nature dictates that agents will follow the path of least resistance
Investors often make it difficult for agents to do business with them – a total lack of direction, a lack of resources, not understanding contracts, not being easy to communicate with, and other problems make it difficult for an agent to do their job.

Real estate agents follow the same rules of human nature as anyone – they will work with someone who makes it easy to do business with them, and avoid those who are not easy to work with.

Top 10 Tips For Success For Working With Agents

1. Start the relationship off properly by doing an Informational Interview with the agent.
This is a two-way interview where you both decide whether it makes sense for you to work together as team. Taking this kind of approach with an agent not only communicates to them that you're a professional and value their time and yours, it helps you ensure the compatibility between you and the agent.

- Find out whether they own any investment property, or if they ever have – what is their personal experience? Positive or negative?
- Ask them what experiences they've had with investors in the past. Try to ask for a specific situation where things went well, and a different situation where it was an unsuccessful or negative experience.
- Determine what amount of their time is spent working with investors. Do you they carry a number of non-investment property listings? Are they committing most of their time to "retail" buyers and sellers? Are they known as being involved with investment property?
- Ask for references of other investors they've worked with who can tell you their experiences and what benefits the agent brings to them as a client

2. Spend time on getting to know and understand your agent.
As with any relationship, it's important to try and get to know the person behind the contract – what are their objectives and goals, and what do they enjoy most about what they're doing? What motivates them, and what turns them off?

Find out whether the agent is open to creative alternatives – for example, carrying their commission on a deal if it merits it. Clearly, if you can find an agent that is flexible themselves with clients, there is a much higher likelihood that they'll be willing to help you structure more creative offers.

Many good agents also have a strong network of contacts that can benefit you – mortgage brokers, lawyers, appraisers, home inspectors, etc. – as well as other investors that may represent joint venture opportunities. With a good agent, you're not just working with one person – you're working with all the people that support and trust them.

3. Communicate your goals and objectives that you've developed in advance.

Let the agent know specifically what kinds of properties and opportunities you are looking for. Don't make the agent wonder if a particular property might be interesting to you – give them enough information to know it fits what you are looking for.

Make it clear to the agent that you're willing to work hard and do what is necessary to create successful outcomes, and that you expect the same of them. Set out exactly what your expectations of them are, and what a good relationship with an agent looks like to you.

4. Be clear what resources are you working with – credit, capital, contacts, etc.

If you intend to build a profitable relationship, you must be upfront with the resources you bring to the table, and what capabilities you have. Many investors start working with an agent, don't have any money to buy property with (and don't tell the agent that), and then when a good deal comes along – there is an unpleasant surprise for the agent. A good agent will be able to help you explore other creative methods of investing, regardless of whether you actually have cash to invest.

It makes more sense to be honest and upfront with the agent at the onset. If they aren't willing to work with you, it's best to find this out early in the process! This will help you eliminate many of the agents that won't be willing to do the things an investor's agent needs to do for you, such as trying to negotiate vendor take backs.

5. Give them a reason to call you first on particular types of deals.

Never tell them, "give me a call if you come across a good deal". Some agents may call you once or twice, but if you don't immediately react to those properties, it's unlikely they will continue to call you with any deals. Remember – the path of least resistance will bring good deals to your door.

You want your path to run down hill, right to your door!

If you are working a specific investment strategy, you want your agent to think of you first when they come across deals that fit that strategy. A specialist always makes more money than generalist. Not only does it allow you to become more focused and knowledgeable about your niche, it keeps the agent clear on what you're trying to achieve.

6. Be willing to listen to their input and suggestions when structuring and writing an offer.

Remember that agents do have industry knowledge and training with respect to contract law, guidelines and requirements for writing offers, and other details that are important in any offer. Keep an open mind to what the agent suggests – just don't let them dictate everything about the offer.

It's important that the agent has confidence in the offer they've written, because you can't sell something effectively that you do not believe in. If you have previous experiences that you can use as examples (or you know people that do), share them with the agent.

Keep in mind that if you're constantly battling with the agent to try and get things included and worded in your contract, this is a red flag that you are probably not working with the right agent for you.

7. Do what you can to help your agent build their business.

The most valuable clients an agent can have are those that help them create new business by referring them to others. If your agent does a good job for you, be willing to communicate your successes with others, and let others know that your agent is a critical component of your plan.

8. If the agent provides great service to you that makes you money, don't nickel and dime them. Treat them as a professional.

One of the biggest mistakes investors make is treating agents like they're "a dime a dozen", and not respecting the time, experience and cost that goes into becoming a great agent. If you are working with an agent that brings profitable deals to you, appreciate what they do for you and compensate them fairly.

9. Negotiate a fair commitment with the agent so they know you're serious and willing to compensate for their assistance.

Who would you expect is a better agent – one that is willing to work with anyone and will do any kind of research you ask with asking for any kind of commitment, or one that values their time and asks that you do the same?

You will find that most good agents respect their own time and place a value on it, and they will not be willing to do a great deal of ground work and research for you without knowing that you are serious. When you find a good agent, be willing to arrange a fair commitment to them – for example, that you agree that any properties the agent introduces you to, you will purchase through them. It doesn't cost you anything up front to provide this commitment, and it simply helps create a more loyal and professional relationship.

Don't let buyer brokerage agreements scare you – they can be negotiated and all your agent is looking for is to know that you'll stay with them if they do the work to assist you.

10. Be an active client, rather than a passive one – be willing to participate in the process.
One way of ensuring your agent will be willing to bring deals to you is if you show a commitment to being involved in the process. You should be willing to drive by the properties that the agent finds, and make yourself available to see them. Don't expect your agent to do all the work for you – you must take an active role in the process.

The Bottom Line

EVERY successful real estate investor I know has at least one real estate agent within their "inner circle". You simply cannot be a truly effective and sophisticated investor without the help of a talented, enthusiastic and knowledgeable agent on your team!

So use the information I've just shared with you, combined with the **Agent Interview Checklist** that I've provided, to identify the great agents and build a mutually profitable and enjoyable relationship!

To Your Success,

Agent Interview Checklist

I strongly recommend that you conduct an interview of prospective real estate agents, using the following list of questions as a guideline. The purpose is to get a sense of what kind of real estate they know, and whether they're suitable to work with you. *(You may want to make copies of this page and use it as a notes page while you speak to each agent on the phone.)*

- *<u>Here's My Million Dollar Question For An Agent</u>:*
  How do you know a certain property is a good investment? What criteria do you use?
  This is a VERY powerful question, because it will reveal to you whether the agent understands important criteria that investors use. Do they understand our language? Do they talk about cash flow? Do they understand how to calculate cash flow properly? Do they understand R.O.I., cap rates and other important investment concepts? Or do they talk about pretty curb appeal and a gourmet kitchen? A strong agent should quickly ask YOU what your criteria are, and what your investment objectives are – the truth is, they can't tell you what a good investment property is without knowing what your criteria and goals are first!

- **How long have you been a full-time agent?**
  Try to find someone who's been in the business for a few years, but not for a really long time. You're looking for someone that is eager to work for you, and not too set in their ways or believe they "know it all". You also want someone full-time who treats their business seriously, not as a hobby.

- **Do you own any real estate investment property?**
  It's nice to have an agent who owns at least one piece if real estate themselves, as they can provide you a lot of great information on the local market. You shouldn't automatically write off any agent who doesn't own any investment property, but it is desirable to find one that has personal experience and knowledge.

- **How long have you lived in the area?**
  As an investor, you are looking for someone that knows the city well, and is familiar with reputations, trends, and both growth and problem areas.

- **What area of town do you focus in? Or do you focus on a certain type of property?**
  Some agents can clearly define what they specialize in, whereas most do not.

- **Are you familiar with strategies such as seller financing or lease options?**
  If the agent is not familiar with how seller financing works, or what a lease option is, it's likely they will not be very flexible or helpful for you. You may want to ask if they know another agent who is.

- **Depending on the property and the numbers, I sometimes write offers much lower than the asking price. Are you okay with doing this?**
  Agents need to be confident enough to write whatever offer you want, not what makes them look good. This communicates that you may be writing low offers up front – based on numbers.

- **What are the best experiences you've had working with investors? The worst experiences?**
  Many agents have bad experiences in the past that taint how they perceive investors. Find out if the agent has had problems with investors before, and make sure they don't carry any negative history into dealing with you!

The bottom line is that you are looking for an agent with the appropriate combination of **experience**, **enthusiasm** and **expectations** to create a mutually beneficial relationship with you!

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