



THE REAL ESTATE INVESTMENT NETWORK LTD

Real Estate Cycle Property Scorecard

Property Address: _____

Neighborhood: _____

Town/City: _____ Prov: _____

Date of Analysis: _____

There are **key drivers** and **market influencers** that affect both the current and future value of every piece of real estate. An astute investor analyzes each of these for every town, neighbourhood and property BEFORE buying. Create one for every town, neighbourhood or property.

This Scorecard is a **REIN™ exclusive** tool designed to give you a simple and easy checklist to follow. It will help you uncover property goldmines, by eliminating emotions and opinions, while ensuring you analyze the **current and future profit potential** of a property, before you take action. To use this effectively, make sure you understand all the **key drivers and market influencers** as detailed in the book, *“Secrets of the Canadian Real Estate Cycle”*.

The more checkmarks you uncover under Key Drivers for a property, the better chance it has of having profit potential.

Your sources for the answers to these critical economic questions will come from many sources. The best place to begin is the Economic Development website and the Economic Development Office for the region at which you will be looking, as they should have a statistics package available for you. After getting as many answers from them as you can, then progress to federal, provincial and local government statistics sites. Then, for the remainder of the questions, correspond with the locals... drive to the area to speak with local investors and realtors. Sometimes you will need to be creative to get the answers; however, these questions are all critical in assisting you in assessing the risk of the property investment...be diligent in your pursuit of answers.

Create a **Real Estate Cycle Property Scorecard** for each property you're considering. If you've already completed a current Scorecard for the region, you can easily transfer that info onto your next Scorecard if the property is located in the same area. Then you can complete the property specific questions. Keep these completed cards in your property file and make it a part of your Sophisticated Investor Binder.

This Scorecard is just one step in analyzing the property's potential; once you've completed this first analysis, make sure that you follow all of the steps in your **ACRE™ Due Diligence** system. This will include answering all of the critical Due Diligence questions and completing the **Property Analyzer Form™** before you invest.

Potential additional info sources, other than **Economic Development or City Planning Offices**, are listed below each question. You will only need to do this regional analysis once per year if you are buying multiple properties in the same area. However, always transfer previous analysis onto a new card for each property.

Key Drivers

Key drivers are market factors that propel the real estate market through the real estate cycle. They directly affect supply and demand.

Key Demographic Drivers: (Sources of Information: Statistics Canada, RBC Economics)

- ☐ Is the area's **population** growing faster than the provincial/national average? _____%
- ☐ Is the area's **population** younger than the provincial/national average?
- ☐ Is the area's residential **vacancy rate** lower than the provincial/national average? _____%
- ☐ Is the area **creating jobs** faster than the provincial/national average?
- ☐ Is there a major **transportation improvement** occurring nearby?
(Local town planning department. Trains, planes and automobiles. Will the region become substantially more accessible with the transportation improvements? Don't say YES until you see construction beginning.)
- ☐ Is the area's **infrastructure** being built to handle the expected growth?
(Local town planning department. Look for expansion of water treatment, sewers, commercial and industrial space, hospitals, schools)
- ☐ Is the **housing start number** lower than the historic average?
- ☐ Is it in an area that is going to benefit from a **Boom's Ripple Effect**?
(Visit surrounding towns and regions. Is the real estate boom occurring in the surrounding region more than where you're looking? If yes, this is a sign of potential boom in your target area.)

Key Financial Drivers: (Sources of Information: Statistics Canada, RBC Economics)

- ☐ Is the area's **gross ROI** (rental income/market price) higher than the provincial/national average? _____%
- ☐ Are the area's **average rents** higher than the provincial/national averages?
- ☐ Are **property taxes** lower than the provincial/national average?
- ☐ Is the area's **average income increasing** faster than provincial/national average? _____%
- ☐ Is the area's **GDP** growing faster than the provincial/national average? _____%
- ☐ Does the area have **more than one** major employer?
- ☐ Is the area's **Affordability Index** in the Hot Zone? _____%
(Assuming a downpayment of 20%, the monthly P&I payment should be 25 – 39% of the median family monthly income for a median priced bungalow)

Key Emotional Drivers: (Sources of information: Real estate boards, local realtors)

- ☐ Is the **number of days to sell** real estate trending downward?
- ☐ Is it an area of **revitalization** or **gentrification**?
(City Planning Department – Area Redevelopment Plan. Articles in media about ‘taking back the neighbourhood’, increased pride of ownership)
- ☐ Are **real estate listings** decreasing?
- ☐ Are **real estate sales volumes** increasing?

Market Influencers

Market influencers are factors that affect the perception of an impending change in the real estate cycle. **They have a temporary impact on the market so it is necessary to be aware of them but not necessarily add them into your calculations.**

- ☐ What is the current **Mortgage Interest Rate**? _____ %
- ☐ Is **financing** readily available? (lending climate)
- ☐ What is the **inflation rate**? _____ %
- ☐ Has the **political leadership** created a ‘growth atmosphere?’
(On-line or city hall. Read the minutes of council meetings, speak with mayor or councillors to see whether the leadership is focused on bringing new jobs and growth to the area.)
- ☐ Is the area’s **Economic Development Office** helpful?
(This is a key question. If the E.D.O. is difficult to deal with for you, you can often assume that they will be the same for potential employers looking to move into the region.)
- ☐ Is the **licensing** of rental properties pro-investor?
- ☐ Are there **rent controls**?
- ☐ Is **public confidence** in the real estate market favourable?
- ☐ Are **foreign investors** influencing the real estate market?
- ☐ Are **alternative investments** giving poorer returns than the real estate investment markets?

Neighbourhood Specific Information

Finding the answers to neighbourhood specific questions will often require an on-site visit. Never simply believe the person who is selling you a property to answer these important questions. Dig Deep.

- ☐ Is the **zoning** of the neighbourhood poised to change? (City Planning Department – Area Redevelopment Plan)
- ☐ Will the property value benefit from a **new development** nearby? (Visit surrounding neighbourhoods. Look for new or re-development.)
- ☐ Is there a lot of **speculative investment** in the area? (Has a major announcement driven values upwards, is there an increased amount of investment money pouring in?)
- ☐ Are there **amenities** in the region that would attract your ‘exit’ target buyer? (Before you buy, always think of who you will be selling to make sure the property will attract that person)
- ☐ Are there currently **sales over list price** in the area? (mls.ca or your buyer’s agent realtor)
- ☐ Is the area experiencing a **buyer’s market**?
- ☐ Are there more **active listings** than the 5 year average?
- ☐ What is the **tenant profile**? _____
- ☐ General observations of the neighbourhood and tenant profile. (Keep these notes as they will provide information for your final ‘instinct check.’ Remember, you don’t have to live there, your target tenant does)

Conclusion

You’re looking for a region that has as many “**YES**” checkmarks as possible under **Key Drivers**. The more checkmarks you have the stronger the fundamentals are for that property’s future. Remember, the **Real Estate Cycle Property Scorecard** is just the beginning of your due diligence. It is designed to give you a very good overview of the property’s potential. It is critical that you complete the remainder of your **ACRE™ System Due Diligence** BEFORE you remove all your conditions on the purchase of an investment property. Never skip a step and always do the extra 10% others aren’t willing to do.