

The Boiron Report

“Start by doing what’s necessary, then do what’s possible; And suddenly you are doing the impossible.” – St. Francis of Assisi

WHY DON’T YOU FIND GOOD PROPERTIES TO BUY?

In one simplistic sentence, because it is difficult.

There are three main reasons:

- Some you cannot control
- Some are your fault
- Some are due to your wrong choice of professionals

1- You cannot control:

- Market Cycle. It influences both sellers’ and buyers’ behaviour.
- Mortgage rates. We have been lucky for several years with unusually low rates. It will change, soon.
- REITs. Since the early 90’s, REITs have become powerful players in Real Estate.

REITs are pass-through entities that distribute the majority (85% to 95%) of their taxable income to investors.

There are three kinds of REITs, and they all raise money by selling units to the public through stockbrokers:

1. Equity REITs, which buy income-producing properties;
2. Mortgage REITs, which loan money for mortgage backed loans; and
3. Hybrid REITs, which are a combination of equity and mortgage REITs.

REITs offer numerous advantages:

- Liquidity
- Potential for Appreciation
- Strong “Hands-off” Asset Management
- Relative Diversification
- Small Investment Required

- Decent to Good Returns
- No Personal Liability
- Relatively Stable Income

They have one disadvantage, in common with all other “syndicators”: They are expensive to set up and the investors pay for these expenses. When an investor buys \$100 worth of shares, \$7 - \$8 go toward costs related to creating the REIT.

REITs have been very successful at obtaining funds from investors. So much so that they are the cause for the present Real Estate market imbalance. Indeed, Real Estate developers construct buildings only if they can find tenants (or buyers). This is the supply side of the equation.

The “problem” is that REITs want to buy leased buildings and are the demand side of the equation.

REITs have created a situation where the demand is much greater than the supply. The consequences are:

- Higher prices (lower Cap Rates)
- A Sellers’ market
- A lot of competition

2- Your fault

It will work against you, if:

- You approach Realtors without formulating a specific buying program.
- You do not trust completely Realtors you use.
- You do not want to commit to a Realtor by way of a Buyer Representation Agreement. (A Realtor really worth his salt will not work under these conditions).
- You do not get back to a Realtor when he sends you info on a prop-

erty, to tell him what you like, or do not like, the property.

- You do not give feedback to the Realtor, promptly and in detail, regarding what he sends you. (Any human endeavour requires enthusiasm. If you do not nurture that of your Realtor, you will – unconsciously – sap his.)

The sure death sentence of a Realtor’s interest in working with an investor is when you say: “I do not want to commit to only one Realtor. I want to keep my options open”. You do keep them open, but the doors of good Realtors are closed to you. Why should they waste their time?

3- Your choice of Professionals

Some investors use lawyers, environmental consultants, architects, who are not commercial Real Estate specialists. This is a bad idea. We see many would-be investors dealing with residential Realtors who dabble in commercial, but are not specialists.

Hot Listings

Retail Space in Barrie
\$11.95/sq.ft. – 1,140 sq.ft.

Barrie Plaza for Sale
\$1,080,000 – 7.59% Cap Rate

Retail Space - Lawrence Ave E. Toronto
650sq ft., 1267 sq. ft., 1917 sq. ft.

Shopping Centre
\$14.5 M – 7.5% Cap Rate

Investors

We are looking for people interested in participating in land development.
Minimum: \$300,000

Subdivision For Sale - Meaford Haven: We will soon have a subdivision for sale in Meaford (25 minutes west of Collingwood). It is a Three Seasons Community®, on 38 acres, comprising 106 bungalows (in clusters), 168 condominium apartments in 3 storey buildings with elevator, a 130 unit Retirement Residence and a 24,000 sq ft medical centre. Approval of the draft plan is expected in July. Pre-marketing of the homes is underway and looks promising. If interested, send us an email and we will contact you. See www.meafordhaven.ca for details.

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