SETTING THE OIL CITY ON FIRE

A desire to help their parents and become financially independent led to Tiffany and Corey Young's road to real estate investment. *Mark David* reports

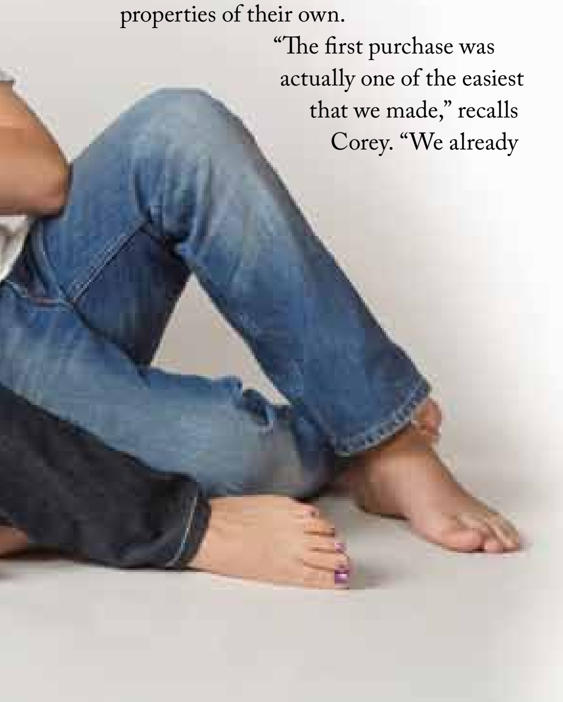
Tiffany Young had her work cut out for her. In 2004, the Edmonton native and her husband, Corey, were looking to generate some additional capital to help her parents. "My parents were living in California at the time," recalls Tiffany. "They were only able to afford nominal health insurance because it was so expensive down there."

The healthcare situation in the U.S., in addition to the welfare of her parents, was something that was always on Tiffany's mind. She and her husband wanted to help them as much as possible, but money was tight. "We had $30,000 equity in our house, and that was it," Tiffany says of their financial situation. "I kept thinking that if they got cancer, or if they got in an accident, how would we pay for it?"

The solution to their problems came in the form of real estate investing. Tiffany says that she and her husband were immediately attracted to this method of capital generation. "It just spurred my long-time interest in real estate," Tiffany says. "I started going to every seminar about real estate investing. I bought every book, every CD, every tape, and started listening and learning."

In 2005, after selling their small carpet and furnace cleaning business, the Youngs made the decision to make real estate investing their full-time focus. Eventually, the couple discovered various real estate associations, which helped them begin their journey into the world of real estate investments. After attending a series of seminars, the Youngs had acquired enough knowledge to start buying and renting properties of their own.

"The first purchase was actually one of the easiest that we made," recalls Corey. "We already owned one property in the city, and we wanted to move. So, we purchased the house that we moved into, and decided to rent out the house that we had lived in (prior), which would become our investment property."



The couple then moved to the town of Devon, which, according to Corey "was ranked (as) the number one place in Canada and Alberta to invest at the time. So we thought, 'Why don't we go there?'

"At the time in Alberta, you could assume somebody's mortgage. If someone had a property that they wanted to sell, you could take over their mortgage instead of you having to qualify for a new one, and you would just pay them (the original owners) the cash difference."

Once they had arrived in Devon, the Youngs assumed the mortgage of their new house, which they had purchased for $219,000, and paid the $2,500 difference to the original owners.

The Youngs were very surprised by the ease of the process, and as Corey explains, "we had heard that it could be done, but we had never done it ourselves. We thought that, in theory, it was supposed to work, but the day we got the keys and moved in, we were shocked that it had actually worked. We had gone into a property for $2,500 down, and it was ours."

The deal had worked out so well it encouraged the Youngs to continue investing. "That (experience) kind of spurred us on even more to continue," says Corey. "We had talked to a lot of investors who had been successful, and we thought that it would be very difficult to get where they were. But we put our foot forward and took a leap of faith, and it turned out to be very easy for us."

After settling into their new home in Devon, the Youngs made their first major multi-property purchase.

"We bought three (properties) all at the same time," recalls Tiffany. "We put in offers unconditionally, and we did not have the money to close on them. It was really high-risk for us, but we found that having a deadline and having to find joint venture partners for these three properties gave us the jump we needed."

With the looming threat of losing their personal deposits if they failed to close on the properties, the couple successfully managed to find the partners they needed and make their payments on time.

"It's important not to get emotionally attached to a property, because when it comes to negotiating you may pay too much"

Although some of their experiences were relatively problem-free, the Youngs did encounter some problems along the way. One such property that presented them with a number of challenges was a group of 40 townhouses in a complex of about 300 in the Kildare district, located in northeastern Edmonton.

"We bought a number of townhouses in this particular complex," says Corey. "And if we were ranking complexes and neighbourhoods on an A-B-C-D scale, this would be a D neighbourhood and a D complex."

TOP 5 TIPS FOR NEW INVESTORS

1 Treat your real estate investments like a business. Many investors will buy a property or two and give it to a property manager to manage, and then almost walk away from it expecting the manager to take care of everything. If they ran their investments like a business, stayed involved and managed the manager properly, they would be far more successful.

2 Treat your tenants like gold – they are your #1 clients. How many other businesses have clients that pay them thousands of dollars every month, pay down mortgages for you and maintain your property for you. Usually the bad tenants get talked about and yes, we all have bad experiences from time to time, but for the most part investors should reward their tenants, send them a gift basket each year, send them a gift card, treat them like gold, they deserve it.

3 Surround yourself with like-minded people. Too often when someone gets involved in real estate investment, their family and friends think they are crazy. Everyone has an opinion on what, where and how to buy real estate. If an investor is planning on a long-term type investment, they need a team around them to help them stay focused on their goal.

4 Have a goal, have a dream, but focus on one property at a time. Why are you getting into the business of real estate? The response is often related to wanting a passive income or wanting to be successful. But when you keep asking a person why they want money, what will that money do for them, what happiness will it bring, you then often find the motivation behind why they are wanting to invest. It's that goal/dream that will keep them in the business.

5 View real estate as a long-term investment, not a get-rich-quick investment. There are a lot of "get rich quick schemes" out there. There are a lot that promise big rewards, but never come through. Real estate investment gurus come to town all the time promising people financial freedom and sharing stories of ones who did it quickly. Although some can do it, most don't. However, if real estate investment is looked upon as a long-term investment it is difficult to go wrong.


One of Tiffany's properties.

> "We bought townhouses in an Edmonton complex. If we were ranking complexes on an A-B-C-D scale, this would be a D complex"

The Youngs faced a number of challenges with these townhouses, ranging from attracting tenants, to ensuring that they were properly maintained. The tenants weren't "of the highest quality, and weren't as reliable when it came to making rent payments," Corey says of the clientele. As a result, "the turnover was a lot higher."

The townhouses proved to be "a real pain in the neck," according to Corey. Eventually, the Youngs did manage to sell off the majority of these properties. "We ended up keeping about seven," recalls Tiffany. Doing so proved to be a smart move in the end, as the townhouses were plagued with numerous problems. "We've had bedbug infestations, roach infestations, a condo board that went bankrupt, and officers on the condo board that were arrested for fraud," Tiffany says of the issues with the townhouses.

Other problems included newly-installed windows that did not comply with local health and safety standards, which forced them to have all the windows replaced.

Despite the many issues with the Kildare townhouses, the Youngs were able to bounce back. Later, they purchased several duplexes on the outskirts of the city. Built between 2003 and 2006, the duplexes feature three bedrooms, front-attached garages, and large backyards. The duplexes have attracted a higher-quality clientele, and require very little maintenance.

"We love these properties, and we have a number of them," Corey says. "If we were to buy any more properties now, these would be the ones we would be buying."

The key factor to the success of these duplexes has been their location. As Corey explains, "being near the outskirts of the city, they're near the new Anthony Henday Ring Road. They've gone up in value

TIFFANY AND COREY'S PORTFOLIO (PARTIAL)

Sq. feet	Type	Current use	Year purchased	Location	Purchase price	Market value	Rent	Cash flow
1,450	House	Sold – April 2011	2005	Devon	$220,000	$375,000	n.a	n.a
1,050	Townhouse	Tenanted	2005	Edmonton	$108,000	$200,000	$1,135	$350
1,600	House	Tenanted	2006	Edmonton	$240,000	$350,000	$1,650	$300
1,100	Townhouse	Tenanted	2006	Edmonton	$150,000	$200,000	$1,150	$335
1,250	Duplex	Sold – March 2012	2006	Edmonton	$195,500	$285,000	$1,550	$417
1,450	House	Sold – Nov 2011	2006	Edmonton	$240,000	$345,000	n.a	n.a
1,100	Townhouse	Tenanted	2006	Edmonton	$158,000	$250,000	$1,350	$195
1,100	Townhouse	Tenanted	2006	Edmonton	$158,000	$250,000	$1,350	$353
750	Townhouse	Tenanted	2007	Edmonton	$120,000	$150,000	$1,200	$135
750	Townhouse	Tenanted	2007	Edmonton	$120,000	$150,000	$1,200	$130
1,100	Townhouse	Tenanted	2005	Edmonton	$92,000	$175,000	$1,475	$60
950	Townhouse	Sold – Feb 2011	2006	Edmonton	$110,000	$157,000	n.a	n.a
950	Townhouse	Tenanted	2006	Edmonton	$92,000	$150,000	$1,100	$240

because the ring road is almost complete, and tenants want to be close to the ring road because they can get to their jobs quicker."

In 2009, the Youngs decided to use their experiences to help others make investments of their own. Having invested in over 100 properties at this point, Corey used his new knowledge to become a realtor with RE/MAX. Since joining RE/MAX, Corey and his team have won many awards and accolades for their efforts, including ranking in the top 5% of all Edmonton-based realtors.

Although they no longer buy properties for themselves, the Youngs still maintain a large portfolio, and are at present dedicated to helping others make real estate investments of their own.

"We've gotten to the point where we're happy where we are (financially)," says Corey. "What we enjoy doing (now) is helping others to get where we are. That's one of the motivating forces for me becoming a realtor, to help investors that are just starting out, and are green like we were in the beginning."

The Youngs believe that one of the keys to becoming a successful investor is to avoid what Tiffany refers to as "analysis paralysis," which involves paying too much attention to certain details of a property.

"Some people get so into looking at every detail of something, like scrounging over $1,000 of a $250,000 purchase, which does not make a difference," says Tiffany. "They end up doing nothing."

Tiffany recalls one instance where analysis paralysis prevented a potential joint venture partner from investing, a decision that would come back to haunt her a few years later. "I came up to Toronto once, looking for joint venture money," says Tiffany. "I showed her our portfolio, which to that point only had seven or eight properties. She was so interested in investing, but just went on and on (about details). When I saw her a few years later, she still hadn't bought anything. She was so wrapped up in the details, both emotional and numbers-wise, that she never did anything."

While overanalyzing can be a thorn in a potential investor's side, Corey adds that letting emotions get in the way of investing also poses a big problem.

"When some people are just starting out, they get emotionally attached to a property," explains Corey. "Although gut feelings are important, they have to watch that they don't get emotionally attached to that property because when it comes down to negotiating, they may pay too much, or they may buy a property just because they fell in love with it. They need to take the emotions out of the purchase and just stick to fundamentals of real estate investment."

Corey's best piece of advice for prospective investors is to treat their investment portfolio like a business.

"There are people who will invest in a property and fly by night with the way they manage it," says Corey. "But if your investment is treated like a business, and you run it like a business, it will be much more successful." ■