



***10 Myths
about
Real Estate***



10 Myths about Real Estate

When you start investing in real estate as a beginner, you will hear different options and advice from many people around you. But how do you know which ones are trustworthy, and which ones are misleading?

One of the things you should always ask someone giving you advice is what their experience is; have they actually done investment before or are they just reciting propaganda and being an arm chair quarterback? The old saying that comes to mind is “Those who cannot do; teach.” To decide for yourself if we know what we are talking about, please read the “About the Author” pages later in this book. Then decide for yourself if we know what we are talking about.

In order to make informed decisions with real estate investment, you need to differentiate truths from myths. Here are some of the myths that you need to take heed, and the real Truth behind them.



Myth #1: Real Estate is a short cut to becoming rich

Despite the major global financial crises, when you look at the housing market throughout recent history, the price trend has been either skyrocketing or has been able to quickly and tremendously recover from a market correction. In fact, you may even have friends in your circle who have already made a fortune in real estate. So, it's tempting for you to think that you can make big money quickly with real estate investment. This makes you feel you need to jump into the real estate game quickly, or else you'll miss out.



Indeed, some real estate investors do make lots of money quickly, but essentially what they're doing is house-flipping, or what we call real estate speculation, not real estate investing. Those people are basically lucky risk takers who play very risky speculation games based on short-term market conditions and trends, and get lucky with their gaming. They aren't truly educated or have any specialized real estate knowledge and make irrational decisions without economics fundamentals in mind.

But of course, you can also make money in real estate without taking any risky actions. There are many low risk methods, but they require your patience and a long-term horizon; you need to start building your wealth with one property at a time, and grow slowly and steadily over time. Real estate is NOT a get rich quick scheme; it is a get rich slow system. That's the principle behind this book.

Myth #2: Investing in real estate is very risky

While some people are eager to get their hands on real estate, you have others at the opposite end of spectrum who stay away from real estate. They want to avoid it at all cost because they think it's too risky. What they fail to realize is that their fear and avoidance actually come from their observation of investors who have the wrong mentality, the wrong strategies, and have lost money by speculating with real estate based on the wrong market trend. So, if you only focus on property appreciation and hope to make quick buck by doing a flip, then you're making real estate investment risky.

In the book we compare real estate with other types of investment and put risk in perspective.



Myth #3: You have to be wealthy to invest in real estate

This is one of the biggest misconceptions that beginner investors have! When you think about purchasing a property, one of the first few considerations that come to mind should be the down payment because you know that without some money from you as a guarantee, nobody will have faith to lend you the huge remaining part needed for the purchase. And if you already realize that you cannot come up with a down payment, you may feel as if you'll never have hopes in touching the real estate sector.



Even if you're completely broke or, worse, in debt, you can still invest in real estate. As long as you can demonstrate to others your sound knowledge and strategies in the area, and show them why it's worthwhile and beneficial to invest with you, you will always be able to find capital from them for the down payment you need.

If you lack the time, energy, knowledge, or motivation to invest in real estate, or you are just too hesitant to invest in it yourself, you can still do it. This is what we specialize in. We partner with people who have some money to invest in real estate but do not want to do it themselves. They can invest with us as an investor and have their investment secured by the real estate we purchase. They do none of the work, receive above average returns, and have their investment secured by real estate.

Myth #4: The Bank is your only option for financing



This is another big misconception that novice investors have. Traditionally, you think you need to go to a bank for a mortgage or loan because other options, like mortgage brokers, cost more money and are not as reliable. But the truth is, you don't necessarily need the bank. When you deal with a bank, you're working with just one lender, and this narrows down your choices of financing. Alternatively, if you do your research well and choose a good mortgage broker, not only do you have the option of top 5 banks, you'll also have access to many different lenders from all across Canada. What's more, you don't even need to pay for your mortgage broker's services. With any new residential mortgage businesses the brokers can generate, the banks (or the lending companies they partner with) will pay for the broker's commissions.

We routinely use private money and RRSP funds to generate mortgages on our properties. If you are an investor with ready funds and do not want to do any of the work related to real estate investing but still want the consistent returns, please contact us directly as we ALWAYS have investment opportunities available.

Myth #5: You have to use a Realtor when you buy real estate

No, you don't! You might think, as an inexperienced investor, you must use realtors in doing deals because they know more about real estate than you do. This myth is perpetuated mostly by realtors themselves. However, in most cases, realtors have limited training for what they do and they may not be best qualified to do every type of deal. Also, with potential conflicts of interest, they aren't always the best person to represent you in every deal. Not to mention there are some bad, unethical agents in the bunch who only care about transactions and commissions, so you must do your research to find a good one for you. To some extent, realtors could be helpful to you, especially at the beginning of your investment journey, but you don't absolutely need them to do a deal.

Myth #6: If you use a Realtor, You cannot talk to the seller directly

Another myth perpetuated mostly by realtors is that you can't contact the seller directly (they will say it's not legal or not permissible).

A good agent will always allow you to talk directly to the seller, and also negotiate directly with them. If you are good at presenting the deal to the seller, that means there is less work for the agent to do!

Myth #7: You need to be a slimeball to profit in the real estate business

Not necessarily! Indeed, there are all sorts of dishonest or unethical businessmen and landlords out there who would prey on other citizens, seniors, or poor families to make profits. Those are the greedy people who like to rip people off by offering the least while trying to get the most out of it. But you don't need to become such in order to make money. If you put yourself into their shoes, you should strive to provide your tenants what they legitimately pay for, such as clean and affordable housing – the same level of housing you would want to live in yourself. You as a landlord with integrity can still make money by building or maintaining open and trustworthy relationships with your clients.



The simple concept we use when dealing with people in the real estate industry, is to treat people the way we would like to be treated. Look for the win-win scenarios and offer to help people who have a problem. There is one line of thinking that states, the more people you can help, the richer you will become. I am a firm believer in that strategy.

Myth #8: Everyone is out to take advantage of me

As we have just stated there are slimeballs out there that will try to take advantage of you. However I am a big believer in the idea that you will find what you are looking for. If you believe that everyone out there is trying to take advantage of you, then you will naturally be drawn to those types of people and you will see them everywhere. If you believe that people are generally good natured and willing to help you, then you will naturally be drawn to those types of people.

This myth is actually a corollary to the previous myth, and the same concepts apply. When dealing with people in the real estate industry, treat people the way you would like to be treated. Look for the win-win scenarios and offer to help people who have a problem. Remember the more people you can help, the richer you will become!

Myth #9: Dealing with Tenants is a nightmare

In reality, how you deal with tenants is a choice and will only be a nightmare if you let it become that.

Remember that your tenants are arguably the most important component in your real estate investing. They pay your mortgage, they pay your expenses, and they give you your profits. So if you treat your tenants fairly and with respect, they will eventually make you very wealthy.

Myth #10: You will NEVER find a good deal in real estate

Why do you make this assumption? No matter what the market condition is, good deals always exist. Good deals just come up more frequently in a buyer's market than in a seller's market.



Myth #11: There are NO deals on the MLS

Yes, we know that we told you there were 10 myths, but in reality, there are many more as well, so here is another one about finding deals. Many people think that because the MLS is open to everyone that they could never find a good deal there. Nothing can be further from the truth. There are many reasons why you can find deals on the MLS.