

Real Estate Journal

Your Monthly Home & Financing News

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**HAPPY NEW YEAR TO YOU
AND YOUR FAMILY!**

Cheers to a new year and
another chance for us to get it
right.

-Oprah Winfrey

TIPS TO IMPROVE YOUR CREDIT RATING:

1. Always pay your bills on time. (The payment of utility bills such as phone, cable and electricity are not recorded on your credit report, however many cell

Welcome to the start of another year and to the January issue of the *Real Estate Journal*, which is designed to help you make a more informed decision the next time you're buying or selling a property!

This month's edition delves into ten secrets of sophisticated real estate investors. It also highlights some important tips to help us protect our credit scores. Please feel free to ask questions or offer feedback regarding anything outlined below via phone or email.

Thanks again for your continued support and referrals!

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TEN SECRETS OF SOPHISTICATED REAL ESTATE INVESTORS

There are many things that can affect the market value of a property, ranging from interest rates to home improvements to the mood of the seller. Below are some of the key dynamics that tend to have the largest influence on home values that every homeowner or aspiring homeowner should be aware of. These factors

6. Mortgage Interest Rates

Low interest rates allow a greater proportion of renters to become homeowners, which in turn can lead to an increase in home sales and therefore push prices higher. That said they don't significantly increase mortgage costs (on a \$100K mortgage a quarter % increase in rates only increases the payments by about \$14). With interest rates historically low for the past several years, this is less

phone companies report late payments.)

2. Pay Debts as quickly as possible.
3. Try to pay your full balance off on all cards every month whenever possible.
4. Don't go over the credit limit on your credit cards.
5. Don't make too many credit applications (use a Mortgage broker). Your score doesn't change if you personally make credit inquiries.
6. Contact creditors if you're having trouble making payments and work out solutions.
7. Read the statements you receive from your credit card company carefully. Keep yourself up-to-date with any changes or fee increases.
8. Keep your credit usage to no more than two credit cards and one Line Of Credit. Avoid store credit cards.
9. Get a copy of your credit report from all three credit-reporting agencies at least once a year and make sure they're in order.

are often gauged by sophisticated Real Estate investors before they decide to invest in an area:

1. **Increase in Disposable Incomes**

This is one of the most important indicators. If a town's average disposable income is increasing faster than the national average, real estate prices are poised to follow suit. Key indicators: a) increased average income; b) decreasing income tax rates; c) increasing retail sales. Be wary of towns where demand is driving values upward while the average income is remaining flat.

2. **Job Growth & Migration**

It pays to read the news regularly in the town you would like to invest in or have invested in. Be on the lookout for announcements of new jobs, major expansions, or new employers. Ideally you can purchase in areas where the population is growing faster than the provincial average and where the reputation of the town, city or region is strong.

3. **Political Climate**

Business friendly politicians generally equal real estate friendly investment areas. Look for regions where development is wanted, not shunned. Look for areas with forward-looking economic development offices where they sell the area to potential employers. Progressive towns attract business while other towns lose it.

4. **Infrastructure Expansion**

Here's another reason why reading local news in areas that you plan to invest in can pay off for you big time. Look for planes, trains, highways, sewers, land annexation or expansion plans. Don't buy until the construction begins or until plans have been completely firmed up, it can be dangerous to buy based on rumors alone. Trains and rapid transport are huge opportunities (towers that spring up at subway stops as an example). To enjoy a nice price increase relative to other areas of the town, city or region not affected by the infrastructure

of a factor now than it would be when rates first dropped.

7. **Maximizing Value and Zoning Opportunities**

Sophisticated real estate investors look first at a properties physical attributes, and then they examine how they may be able to change the property to optimize profit way beyond just renovations. As an example, an old hotel that is converted into loft apartments (advanced), or taking a single family home and converting it to a duplex (less advanced but still can be tricky). You need to know zoning bylaws and tenant regulations to make the transition successful. A small percentage of properties will have this potential, but make sure you have the required finances and expertise before taking this on, or find a partner.

8. **Buy Wholesale; Sell Retail**

You can buy properties at wholesale any day of the week in any town across the country, there are many investors across Canada who make their entire livings this way. This can include buying rundown properties and fixing them up, developing raw land or buying properties that are going to foreclosure. In Canada, accessing foreclosure properties is tougher than in other countries such as the US. The best opportunity for this in Canada is the pre-foreclosure market, some investors will advertise targeting distressed homeowners and then provide them with a much needed opportunity to sell.

9. **Stand Out**

Quality marketing is a real estate investor's best kept secret. You must be proficient to get above market rents and values for your properties. An example of this would be how two incredibly similar houses in the same neighbourhood can easily sell or rent for a 5-10% variance from each other. Matching your message to your prospective target in a compelling way is critical.

10. **Renovations and Sweat Equity**

Areas in transition are great sources for homes that need improvements. Look

enhancement, try to buy within 800 meters of the station, or exit/entrance etc.

5. Areas Of Renewal

If chosen correctly this consistently provides the biggest bang for investment dollars. This is best defined as areas that are moving up from one economic class to the next, often described as "tough, yet funky". In these areas, you'll witness a mix of run down to well-kept, recently fixed up properties. Often you'll see these areas mentioned in the news, every city and most towns have areas like this. The local perception is the hardest to change, so often locals miss the opportunity.

for well-built but neglected homes. Keep the work simple and in line with what a renter or owner is looking for. Remember, smaller aesthetic investments such as in paint, flooring or carpeting can provide the biggest bang for your buck. Landscaping and exterior work also typically provide a solid return.



THE TOP FACTORS THAT MAKE YOUR CREDIT SCORE LOWER

At this time of year, especially if we were extra generous with our gift giving, it's important to review the top factors that can lower our credit scores. Please also see "Tips to Improve Your Credit Rating" on the left in this issue of the *Real Estate Journal*.

1. There are too many consumer finance company accounts on your credit report. Having too much available credit can hurt your score. If you have several consumer accounts try to consolidate those balances and close the accounts.
2. Your account balances are too high. As a rule of thumb keep your credit card balances below 35% of the available limit. High balances ongoing will negatively affect your credit score.
3. There is not enough recent revolving account information on your credit report. Using your credit cards regularly is an important part of building healthy credit.
4. There have been multiple lending institutions pulling credit reports on you. This is part of the advantage of using a Mortgage Broker; we pull one credit report and then go to several lenders vs. having several lenders each pulling your credit bureau.

About



ROYAL LEPAGE

Royal LePage is Canada's oldest and largest Canadian owned real estate company. Founded in 1913 by Albert LePage when he was just 26 years old, Royal LePage is now Canada's largest real estate company with more than 14,000 agents in more than 600 locations across the country. And we firmly believe that you can only become the oldest and largest company by being the best.

Over the years, we've learned a lot about real estate – and how to provide the best possible service for our clients. Since the mid-1990s, Royal LePage has more than tripled the size of its sales force and almost doubled its market share.

Throughout our successes, we remain dedicated to helping you through the real estate process. Our commitment to innovation and customer service is as strong as ever.

We offer all of our REALTORS® – from those serving tiny communities to those in major urban centres – strong support from our national pool of knowledge, skill and technical expertise. We regularly invest time, money and resources to develop and provide the knowledge and tools they need to best market your home, including:

- Up-to-date information about local market conditions
- Quarterly housing reports
- Creative brochures and newspaper ads to showcase your home
- Ongoing negotiation, marketing and technical training

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