



Mark Sampson

This Article
Compliments of Call Realty
www.pvsouthbayrecareer.com

5 priceless real estate tips from my dad

Mood of the Market

BY TARA-NICHOLLE NELSON



It's almost Father's Day. By no means am I the world's best gift giver (even in the running), but I do try to share with my dad how critical his words of wisdom have been to my life over the years.

In fact, it is largely due to my dad's deep involvement in real estate, as a small builder/developer and avid investor, that it has never held quite the intimidation factor I know real estate poses to many a buyer, seller, owner or renter. It's also his real estate involvement and general financial acumen that has him positioned for financial security in his retirement at a time when so many other baby boomers are struggling.

Not only is he the financially smart sort, in his parts, my dad is well known for his brutally honest, decidedly unsentimental one-liners of advice on everything from fitness ("You only have to work out on the days you eat") to interpersonal relationship dynamics ("She who holds the cash makes the rules").

So, this Father's Day, I've been inspired to give readers the gift of pithy words of effective real estate advice straight from the mouth of my dear not-so-old dad:

1. **Buy it right.** Whether you're hoping to buy a personal residence that appreciates over time or you're investing in the market (to rent or rehab and resell), my dad says the key to avoiding losses is to buy low in the first place, so you don't have to rely on anything but the very most conservative appreciation figures to make your money.

Now, low, of course, is relative. My dad is also a big believer in buying homes in neighborhoods that have a strong future, due to low crime rates, nearby job and educational opportunities, and all-around neighborhood aesthetics.

To buy low and buy in these neighborhoods, though, you have to be willing to exercise emotional detachment from whether or not you successfully get any individual home.

You also have to be willing to work and bear some inconvenience to get the best deals, at times. On today's market, that means buying short sales and foreclosures in great neighborhoods but in bad shape; being willing to pay cash and/or put in some serious sweat equity; and building strong relationships with local real estate pros who can advocate for you to get the deal you want.

2. **A good tenant is worth his weight in gold.** When I was a kid, my dad built several small multiplexes -- beautiful places -- and opened them up to all tenants, irrespective of socioeconomic status. And I'll never forget his look of dismay when he was called to replace two broken windows in the living room. "How did this happen?" he wanted to know. The tenant explained that her children tossed a ball through one and threw it back through the other.

And that's how I started learning about the value of a good tenant at a very early age.

Lately, my dad has been buying foreclosures, rehabbing them and renting them out on long-term leases to good tenants. How does he know they're good? Most of them are friends of friends who lost their homes in the down market and are leasing them to own from dad to get their lives restarted. Many have stable, government jobs (my dad is a retired government employee) and some even have their rent automatically deposited from their paychecks to my dad's account!

Tenants who are hoping to buy their homes someday tend to take better care of them. As well, social contracts and webs go a long way; people who are friends and friends of friends have shown over time to care for their rental homes much better than complete strangers. When that doesn't work, my dad is much more willing to rent to someone whose current landlord gives a rave review than someone who has no references and is willing to put up a huge advance deposit.

3. Know your exit strategy -- and your backup plan -- before you buy. If you're buying a home to live in, my dad would say not to even start your house hunt without knowing how long you expect to be there and what your next move will be. In this way, you can be sure to buy a home that will work at least as long as your plan A is in effect. Of course, even the best-laid plans can be foiled by forces beyond your control, so dad's big on putting plans B, C and on down the alphabet in place upfront, and not making the buy until you have accounted for these various outcomes.

4. Do the math. Then do it again. My father's relationship with math is, well, borderline obsessive. He's a math savant, and has no use for a spreadsheet or a calculator. He just mentally and on paper crunches the numbers on any and everything: the classic cars he restores; his retirement portfolio; and, of course, his real estate decisions. Prices for painting and new cabinets, home purchase prices, various appreciate rate and rental income scenarios, interest rates, opportunity costs, vacancy buffers, landscaping and maintenance, insurance -- every single line item goes into the hopper.

5. You won't win them all. This is my dad's way of saying, despite his status as a die-hard real estate investor, the inescapable truth is that real estate simply does not always go up (though he does believe smart investments in smart neighborhoods generally appreciate over the long term). This is why it's so important to have backup plans and run every number twice, to make sure your cash flows work well in case you need to rent it out instead of sell it. This is also why he prioritizes properties in good neighborhoods in case you need to move a friend or relative in for a while, or even sell in a down market (when the cheap homes in marginal areas won't sell at all)!

Striving for a perfect investment record of profits on top of profits is great, but it belies the reality of life that little is perfect. The more mature approach, my dad's approach, is to be grateful for the lifestyle of a homeowner and the returns of a real estate investor, understanding that the occasional investment may not pay off as planned.

Tara-Nicholle Nelson is author of "The Savvy Woman's Homebuying Handbook" and "Trillion Dollar Women: Use Your Power to Make Buying and Remodeling Decisions." Tara is also the Consumer Ambassador and Educator for real estate listings search site Trulia.com. Ask her a real estate question [online](#) or visit her website, www.rethinkrealestate.com.