

Table of Contents

About The Authors

Preface

The Perfect Storm

What Happened and Why?

Recourse and Non-Recourse Loans

Hands-On/Hands-Off Investment

Con Men

Buying Tours

Pros and Cons

Flippers and Wholesalers

Rehabilitations and Renovations

War Zones

Case Studies

Case Study: Detroit

Case Study: Atlanta,

Financing

Insurance

Property Management

What to Expect When Engaging a Property Manager

Collecting Rent

So what does this mean?

Government Subsidized Rents

Moving Forward

Conclusion

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Preface

Buying investment properties can be and should be a very rewarding investment that will generate very nice cash flow and capital growth over the coming years.

In writing this book we take a look at some of the little-known nuances that investors will have to negotiate when purchasing an investment property in the U.S. We try to elaborate on some issues that are small and also some items of far greater importance that could cause an investor financial harm if they were caught unaware of the laws and customs.

Items that we will discuss in this book include:

- **Property Management**
The all-important subject of property management and tenants as the successful investor will need to manage their expectations in regard to property management.
- **Insurance**
Insurance and what to look for in your policies is another area that is very misunderstood and needs to be addressed by investors.
- **Property Criteria**
What to look for in providing properties to consider purchasing.
- **Investor Market Activity**
The different locations in the U.S where investor activity accounts for a large percentage of the current market activity.
- **Rehabilitations and Renovations** The pros and cons of renovating a property.

It is our goal to bring unbiased information to the reader and provide the reader with knowledge that will allow them to source properties and then go on to perform due diligence, settle and finally manage their property and property manager in a safe and efficient manner. David Newton, an Australian investor who had learned the hard way how not to invest in the U.S property market, teamed up with Jay Hinrichs to write the most concise and balanced advice available. What they are doing with this book is to present a balanced view of U.S investment properties, along with some of the pitfalls and landmines that the investor needs to watch for.

The subject matter addresses certain due diligence that you should use when considering a purchase, along with subjects that most would not know about or know to ask.

The Perfect Storm

The global financial crisis (GFC) or global economic crisis began in 2007 when U.S investors lost confidence in the value of sub-prime mortgages causing a liquidity crisis. This resulted in the U.S Federal Bank injecting a large amount of capital into financial markets but by September 2008, the crisis had worsened as stock markets around the globe crashed. Consumer confidence hit rock bottom as everyone reigned in spending in fear of what may lie ahead.

The housing market in the U.S suffered badly as many home-owners who had taken out sub-prime loans found they were unable to meet their mortgage repayments. As the value of homes dived, borrowers found themselves with negative equity, owing more on their homes than what they were worth. With a large number of borrowers defaulting on loans, banks were faced with a situation where the repossessed house was worth less on today's market than the original loan. The banks then had a liquidity crisis on their hands, and obtaining loans became increasingly difficult as the fallout from the sub-prime lending bubble burst.

Although the housing collapse in the U.S is commonly referred to as the trigger for the global financial crisis, many people who have examined the events over the past few years, believe that the financial system needs better regulation to discourage unscrupulous lending.

When Lehman Brothers collapsed on September 14, 2008 it marked the beginning of a new phase in the global financial crisis. Governments around the world struggled to rescue large financial institutions as the housing and stock market collapse worsened.

The U.S government proposed a \$700 billion rescue plan, which initially failed to pass through Congress because some Congressmen objected to the use of a massive amount of taxpayer money being used to bail out Wall Street investment bankers. Although the plan was passed later, many people believed the same bankers were one of the causes of the financial crisis.

By September of 2008, people began investing heavily in gold, bonds and the U.S dollar or Euro currency as it was seen as safer than the troubled housing or stock market.

The sharp decline in the value of property in the US during the GFC created an unprecedented opportunity for investors with cash to pick up real estate at a fraction of its previous value. Even allowing for the property price bubble, houses became very, very cheap and with some markets showing signs of recovery, there appears to be no better time to invest in U.S real estate.

Recourse and Non-Recourse Loans

One of the fundamental reasons that the United States (U.S) experienced such a catastrophic mortgage and real estate collapse can be summed up in three words: non-recourse loans.

There are a number of states in the U.S where the laws of the state protect the home's owner. In these non-recourse states, if a home owner borrows money from a lender for their personal residence, then in the event of a default and subsequent foreclosure, the bank cannot legally come after the borrower for any deficiency. The lender's sum total of restitution lies with the collateral i.e. the home which secured the loan. This is called a Purchase Money loan or Purchase Money Deed of Trust.

It just so happens that three of the five states that amounted to 70% of all foreclosures were non-recourse states. These states are California, Arizona and Nevada. In these states, borrowers woke up one day and they had a \$500k loan against their home and their neighbor's similar home down the street was being sold by the bank for \$250k.

Thousands upon thousands of U.S homeowners then did what is called a strategic default. They stopped paying the bank and lived in the home for free, saving the mortgage repayments and waited for the foreclosure process. They did this knowing that by law, the worse that could happen to them would be a bad credit rating. In addition, the U.S government, because of the amount of foreclosures, suspended one of the IRS rules for homeowners. The debt recapture rule is that if the bank takes a loss and sends a form 1099C or 1099A (insolvency) to the borrower, the borrower must then report this loss as ordinary income and pay tax on the debt forgiveness.

As you can see, you had a perfect storm where the borrower could walk away with no monetary loss. The IRS would not chase you for the tax and the bank couldn't chase you for the debt. This activity in markets like Phoenix and Las Vegas represented a very large portion of the defaults.

To take it to the next level, the homeowner does a strategic default knowing exactly when and how much their home is going to sell for at the foreclosure sale. The ones with the cash borrowed from friends, family or hard money lenders would show up at the auction and buy their home back for 50 cents in the dollar, sometimes less. The opening bid was too high for a foreclosure company so homeowner bids won the auction. The foreclosure on the first loan wiped out any loans or liens that were secondary to this loan and they never even had to move out. In many cases homeowners lived in the homes for years without paying anything. Of course this is not the norm, however it happens every day in certain markets and has been going on for years.

In the rest of the states, all loans have a recourse provision. However, in practice, because of the foreclosure epidemic, the banks just did not have the man-power or the courts, the resources to proceed with judicial foreclosures and the subsequent ruling for a personal judgement against the debtor. Some states are very aggressive with this, for e.g Texas. The foreclosure process is called single action or dual action.

Single action means they take the property in a foreclosure as their remedy, however have the right to sue on the Promissory Note for a money judgement.

Dual action means that the state can do both. At the same time they can receive the property back in the foreclosure and get a money judgement on the debtor.

For homeowners though, the banks were just not prepared to handle the sheer volume of defaults. It is another matter completely with commercial loans. In a default situation, if you have a commercial loan and have personally guaranteed it or hold the property in your personal name, the lenders can and will sue on those notes as they tend to be much larger than home mortgages and far fewer in numbers.

The recourse loans are coming back to bite some investors in other ways. Large institutional investors that bought toxic assets from banks are not concerned about the court of public opinion and are aggressively filing suits on the loans they bought that have the recourse rights intact. This means that a borrower who thought they were done with a property and the bank had foreclosure are now having suits filed against them if the institutions think they can collect.

Hands-On/Hands-Off Investment

There are widely differing opinions of what is a hands-off investment and what is a hands-on investment.

When the term turn-key investing was coined in the United States (U.S), investors made the assumption that all you had to do was pick out the property, invest the funds and the entire process was taken care of for you. You could sit back in the comfort of your armchair no matter where you lived and collect rental income and enjoy double digit returns with nothing more strenuous than cashing the checks.

As this industry has matured, the turn-key investment is anything but hands off. There are many companies in the U.S and Australia that tout themselves as turn-key and 'we do it all for you' companies. These companies do generally take care of most of the heavy lifting including sourcing the property and overseeing the rehabilitation. They then either have in-house management or management is turned over to a property manager who will then look after the property during the rental phase.

This is not a true hands-off investment based on what has been seen over the years. The investor will either buy without touring and inspecting the potential homes, or will spend thousands coming to look at the potential homes before buying.

Once this is accomplished, offers can be made to purchase the real estate. Most investors are buying through turn-key companies and marketing companies, so the inventory is private to a certain extent, but it is up to the investor to do their due diligence to see if they are getting a fair price. In markets that have rebounded and are hot it would be very difficult for someone not present and in the business to source a true wholesale deal. Paying retail price you can buy through the multiple listing services with a real estate broker.

Furthermore, the reasons these types of investment are not really hands-off is because once you get to the property management phase, the investor in almost all cases will have to put a lot of time and energy into 'managing the property manager'.

Property management frequently does not run smoothly. Tenants tend to move frequently and an investor has very often invested in lower-end rentals in the bigger cities. There will be collection issues and on-going maintenance issues.

That is why the 'turn-key U.S rental home' is not a true hands-off investment. To do it right, an investor needs to put hours into up-front

research to make sure they are getting a fair value, then needs to engage with the property management through the entire time they own the home.

There are many truly hands-off investments at least as it compares to owning a rental property that is being handled by third party management. To name a few of the more popular:

The Real Estate Paper Business

In the U.S. there are millions upon millions of debt obligations registered against properties each year.

Almost all of these obligations whether they are trust deeds, mortgages, or other forms of debt instruments are bought and sold daily by the thousands.

The reason the real estate market in the U.S has bounced back as it has is because the U.S government has been buying \$85 billion a month in mortgage-backed securities.

If the investor researches the note business in the U.S, they will see a myriad of companies that either sell this real estate paper to private investors or have created funds that can be invested in. These funds 'pool' investor money and buy large blocks of real estate paper with the hopes of double digit returns.

There are a lot of misdeeds that happen in the real estate paper business and it is recommended that anyone wanting to try this alternate investment should source a very good note broker and perform due diligence on the note broker before buying any note they offer.

However, a really good note investment is hands-off as you make the investment and the borrower pays you just as they would pay the bank. As the note holder you are the bank with many of these notes held on true owner-occupied homes so with the re-set in values they are relatively safe instruments at this time. A word of caution though as at the end of the day the home is the collateral so make sure you perform due diligence on the collateral just like you were going to own it.

Tax Lien Investing

Tax Lien Investing is a form of investment where you buy a specific period of unpaid taxes so when the property owner pays the back taxes, the interest penalty is forwarded to the owner of the tax lien.

In many states this is huge business and as with any business that has millions, if not billions, invested in it there are going to be locals that do this for a living.

Real Estate Investment Trusts (REITs)

REITs are offerings that are approved for sale on the U.S stock exchanges. The investor can buy them just like stock and they are the most liquid of U.S investments. Like any other stock they can have wild swings in performance. Of course with the global financial crisis (GFC), the vast majority lost most, if not all, of their investment capital as these funds are usually leveraged. When values dropped below the debt they became zero or negative equity. The newest REITs are up and running again and with the reset in values in the U.S there should be some good investing opportunities.

These companies will provide very detailed prospectuses for your due diligence although the U.S government does not guarantee any of these investments.

Joint Ventures (JVs)

There are a myriad of mid-level U.S operators that will offer all manner of investment vehicles, either as a partner in an LLC or investor in a small fund of \$5 million and under.

These JVs will target many aspects of real estate, from Single Family Residences (SFR) foreclosures, commercial properties, multi-family and the real estate paper business. The success in this endeavor is highly contingent on the person managing these funds and it is just as important to do due diligence on the promoter or manager of these opportunities as it is the projects that secure your funds.

Many investors have very long-standing relationships with the really well-run managing partners and have been with them for years and years. A bad manager, either through ignorance or lack of experience can create a loss situation. These funds and partnerships are not endorsed by the U.S government and other than regulatory filings no oversight carried out by any government agency. If a U.S government agency gets involved in one of these partnerships it is an 'after the fact' situation and generally means the project has gone pear-shaped.

Con Men

The real estate business in the U.S is a regulated industry much like other parts of the world and most real estate transactions will be handled by real estate brokers at some level. It is very important for those investing in the U.S to understand these relationships and the basic laws governing the sale of real estate.

The turn-key phrase was coined about the year 2000. There was, and still is, a need for out-of-area investors to have one-stop shopping, where they can buy an investment property (IP) that is pre-rehab, have the renovation completed to certain standards and then have tenants placed and managed for the long-term investment model. There is a lot of trust and faith put into these companies to perform these duties for the best interest of their clients. As licensed real estate brokers or agents they are regulated by the states they work in. However if a company or individual owns a property, then they have the legal right to sell it without having to be licensed.

Those companies that perform middle-man duties and receive 'marketing fees' for properties they do not own are performing the role of a real estate broker or agent without a license and this is not legal in the U.S. The licensing laws are violated every day in the U.S by non-licensed individuals and as such, this is where the con men come into play. Because they neither own the property nor are licensed, their activities can go on for years without any repercussions. Not only are they unregulated, most of the individuals will not provide the buyers with the state-mandatory disclosure documents. This leads to an epidemic in misrepresentations in every facet of the transaction from the escrow or settlement process to renovation and then property management. With the prevalence of the Internet and worldwide marketing, many of these individuals simply create websites that look very polished, making claims that induce buyers into investing in properties and the investor just is not aware of the risks involved with certain properties and neighborhoods.

Unfortunately, many of the companies make very wild claims about values and returns and the unsuspecting buyer never realizes what has happened until the transaction has closed. The funds are gone and the investor is left holding a property where the renovation is substandard or non-existent in extreme cases. The con men may then refer the buyer to a property manager who may or may not be licensed. When these companies have run their course they will simply close that company and start up in another name, another website etc. At the end of the day it is the buyer's responsibility to perform due diligence on these companies.

Many con men charge membership fees or costs up-front just to look at the special inventory that the companies are offering. Some of these fees are justified if the company is assisting with the L.L.C set up, insurance,

banking and property management but in most cases to see what is available on the market can easily be done by contacting a real estate broker in the city of interest. Every *Multi-List-Service* (M.L.S) system in the U.S has the ability to send constant contact emails with new inventory as it becomes available. This easily enables a buyer to get a general idea of values.

The legitimate and well-run turn-key operator does exist in the U.S. These companies work hard for their clients and they will provide documentation to the buyer in a transparent fashion.

The following due diligence is all available on line and at no cost.

1. *Are the U.S. companies licensed real estate brokers?*

Every investor has the ability to check on the company or individual online by accessing that state's real estate division.

2. *If the companies are not licensed then they must own the property.*

Before committing funds once a buyer has an address, it is again an easy process to access the county tax assessor websites and determine who owns the property. In some cases, the public records will not be real time (up-to-date). In that case, the buyer can and should ask for a *Preliminary Title Report* or *Title Commitment*. All property should be bought only with a title insurance policy. Title insurance covers the buyer in case a subsequent claim is made against the title of the property, such as a lien (encumbrance).

If the name on the title report is not the individual or company that you are buying the property from, then you know that they are acting as a middleman and making a marketing or flip fee, meaning that they are selling real estate without a license. This may not matter to some buyers, however if something goes wrong with the transaction there is no recourse from a regulatory standpoint. Real estate brokers value their licenses because it is their livelihood, and the brokerage they work for will in almost all instances have Errors and Omissions Insurance (professional indemnity). A buyer will get a higher standard of care from an agent in almost all cases.

3. *A real estate principal must be overseeing the operations.*

Property managers must have a real estate principal overseeing the operations. Make sure before closing the transactions that you verify that your property manager (PM) is properly licensed. Unlicensed PMs can and do walk off with client's rent money.

4. *Withholding the addresses of the properties until you pay a fee.* As stated above, there can be value in these services but generally they should be made available to the buyers so that they can perform their own due diligence before committing funds to the purchase.

Buying Tours

Buying tours or what the United States (U.S) investor calls bus tours, are a very common method of marketing. These events are highly organized and it allows the *turn-key* company to showcase as many homes to as many people as possible in the shortest amount of time. The typical bus tour will be promoted some weeks or months in advance. The turn-key company is busy sourcing and rehabilitating stock with the hope of showing 10 to 20 properties that are available for purchase to as many buyers as possible.

The bus tours usually start at a hotel convention room on a weekend where a presentation about the company and the area is made. Then in the afternoon the attendees will board the bus and off they go visiting each property which allows all the attendees to see the homes at the same time. The bus tour comes back to the hotel and a follow-up presentation is made. Those wishing to secure properties are taken aside and contracts are written right then and there. Depending on the company they will buy lunch and/or dinner during these events and usually will offer a social cocktail hour type event as well. The next day there is another follow-up presentation, announcement of what stock was sold the preceding day, and off for another bus tour. At the end of the day, buyers are brought back to the hotel and those that wish to stay and purchase will do so whilst those that want to leave are free to do so.

Bus tours cater to both foreign and domestic buyers with some being led by U.S reality show personalities. Those with the reality star as the lead person will usually cost the attendee a minimum fee just to ride the bus and listen to the presentation. This fee varies widely from modest to many thousands of dollars, and in most cases it is additional to the purchase of a home and is non-refundable. Some will charge a fee then credit it towards the purchase of a home if you purchase an investment property (IP) with that company. These tours have become very popular ways to buy property in the U.S and you can see them advertised on many websites.

Pros and Cons

Pros

- This can be a good way for you to familiarize yourself with a market in a short period of time and in a very safe environment. Any up-front fee you may have paid plus your travel costs is out of your own pocket and your expense, which of course is no small matter if you are coming from overseas.
- You are under no obligation to purchase and it would be best to have these arranged back-to-back.
- Bus tours are a good and safe way to see a lot of homes in a short period of time as well as network with like-minded investors.

Cons

- Bus and buying tours are time-consuming and expensive for the turn-key operator, so it stands to reason that these costs will affect the price that you will pay for an IP on such a tour. As an attendee, your time is captured and you are going to be shown what the turnkey company wants to show you and nothing else.
- There is always that one person in a crowd that may be offensive or negative about what they are looking at and that alone can lead to a less than pleasing experience.
- The buyer also needs to not get caught up in the hype or herd mentality, and would need to have an idea of values and areas prior to going to the event. This will help to make an educated decision as to the ultimate value that is being presented.

Jay was running tours as far back as the 1980s with buyers coming from Southern California to view and purchase retirement properties in North California. There were great tours and there were tours that were not so great. From an operator's point of view, something was always charged for the tour, which kept away the ones looking for a free weekend. When buyers paid a nominal amount it was a form of commitment but the sales were still less than 50%. If the tour had 20 properties and 7 to 10 were sold, it was deemed a successful tour.

Fast forward to the last 10 years and the author has been on a handful of tours as a lender, invited by the turn-key operator and providing finance to those that may need it. This gave a little better perspective as clients would open up about the experience more than they would to the turn-key operator. As with all sales, you will have those that might have made up their mind before they ever came on the tour and the tour was just to validate their decision to buy. Others had no real interest, yet others became interested once they saw the product and decided to buy an investment property.

Since Jay has been on both sides of these types of marketing events, it should be noted that there should be a certain amount of decorum for the attendees. The turn-key operator has spent many thousands arranging this tour, and the attendees should be respectful of this. If the IPs are not to your liking, then the polite thing is to keep negative comments to a minimum so as to not create a negative environment for the remaining attendees and the turn-key operator.

Remember that you can always say no to a purchase, however if you think you are being misled then that is another matter.

Flippers and Wholesalers

The terms Real Estate Flipper and Real Estate Wholesaler are terms used to describe real estate entrepreneurs that buy and sell properties more like a used car dealer than a true real estate investor. The majority of these real estate investors are leveraging their associations with banks special asset departments, Promissory Note servicing companies, Direct Mail ('We Buy Real Estate'), and auctions either courthouse or public.

Typically these persons or companies will be offered inventory and will go into contract to buy it. In many cases they just take fees to *'flip'* the property to a turn-key provider or in some cases will actually take title to the properties. The investor many times has never seen the property and their mark up or margin on them is fairly modest - \$1 k to \$5 k being the norm. The turn-key provider is usually the end buyer for the flipper wholesaler. The flipper/wholesaler will rarely, if ever, physically view the properties and never embarks on any type of renovation work.

The flipper/wholesaler will usually have a handful of clients they deal with and more likely than not will never sell to the public. These businesses are just looking for quick flips and their margins do not allow any type of the high-end marketing campaigns that the turn-key companies engage in. It is not uncommon to have an investment property (IP) pass through multiple flippers before it ends up with the turn-key company and then IP investor.

Another variation of these wholesalers and flippers are the courthouse steps foreclosure bidding services. These companies, again for a modest fee will track the houses in a particular county and will bid for the investor and will take a modest fee, maybe \$2 k to \$5 k per purchase. These companies bid for turn-key companies or investors and once the bid is done and the property is won at auction, their job is done. It's up to the turn-key company and/or investor to then take possession of the property.

This is high risk/high reward activity for the investor. In today's market it is increasingly being dominated by large hedge fund investors as the smaller companies have been put out of business in the last 12 months. It is *buyer beware* as there are no warranties or title insurance of any kind, and in many cases you cannot enter the home before purchasing.

When you buy a home that looks fine from the outside and then get inside and realize everything is gone, from the kitchen to every cabinet and fixture, it can be a real world experience. If you are just starting out or have an idea to buy one or two foreclosures and you end up with one that goes pear shaped it can haunt you for years to come. Those people in the courthouse steps foreclosure business are usually in it for the long haul and they can average out a bad investment against the good ones.

Rehabilitations and Renovations

Rehab and renovation of investment properties in the U.S varies greatly from city to city. What rehab and reno is completed by the savvy investor and what rehab and or reno is done by others that are marketing the properties to the public may be very different.

As a rule of thumb, rental properties will take more abuse than an owner occupied property, so with that in mind, it's important for the investor to spend their rehab and reno money in the right areas. As we all know if we have looked at properties to buy, everyone selling their property boasts top flight renos and rehabs. What the investor needs for their property to fully function and be a great investment property (IP) is in many cases not the same work that would be done by a marketing company.

Investment properties require appropriate reno and rehab, so that ongoing running cost will not eat into returns. Which area of the country makes a huge difference as well. Is your IP in extreme cold climates where utility costs will impact rent or is it in an area that is very warm where air conditioning is crucial?

What the owner of these properties should focus on is the mechanics of the property. For e.g. water, sewer, power, roof and insulation.

1. Water

This seems obvious however there are good reasons to assess your water distribution system. In older homes, copper was the main distribution system. Copper in the U.S is a big item for theft. Vandals will destroy a home to rip the copper out of the walls and sell it for a few dollars. Part of any major reno or rehab job should be the replacement of copper with Pex plumbing as there is no value to a thief in plastic. Also, the new plumbing will work much better than the old copper lines that are corroded and the water flow is less than optimal.

2. Sewer

If you are in a tree-lined street and your IP property is 30 years old or older and you have no proof of a new sewer line to the street, the sewer line should be replaced pro-actively. Root intrusion into old sewer lines is extremely common and with a backed-up sewer one can risk losing a tenant, as well as emergency repairs costing far more than replacing the line during reno. Once you have a new sewer line it is good for 20 to 30 years with no maintenance calls. Plugged sewer lines are the number one service call for these types of IP properties. The difference between pro-actively replacing the sewer line during a major reno and having to do it while a tenant is there under emergency conditions is two to three times the cost.

3. Power

In most of the vintage homes you need to make sure the meter head and the junction box have been updated. There is a need to power those big screen TVs and to reduce fire danger.

You will also need to be sure that your tenant has no problem with keeping the electricity on, especially in climates where the temps get below freezing or the heat is oppressive like the southern and mid-west states.

The U.S runs on 110v, however many modern appliances need more power than can be supplied via 110v so 240v is being installed in many homes.

4. Roof

Common sense says that you need to make sure your roof is secure. Leaky roofs lead to all sorts of problems in the U.S such as water damage and mold etc. A rule of thumb is to have the roof inspected and if it does not have 10 years of life then a new roof should be installed. Some roofs in the U.S have only a very short lifespan so make sure you know what material is used.

5. Floor Coverings

The investor could limit carpet to the bedrooms and use tiles, wood, engineered hardwood or vinyl for other areas. Floor coverings take a huge beating in these types of homes so if you use wall-to-wall carpet in the high traffic areas of the house you will find yourself replacing it every one to two years.

6. Heating and Air-Conditioning

The furnace (for heating) and air-conditioner should be in top shape or near new as 20 to 30 year old units will break down. Air-conditioning condensers should be caged in most rental areas to prevent theft. Given the extreme temperatures of most of the metro areas that investment properties are bought in, the failure of either of these systems can jeopardize your tenant longevity. This will cost the owner far more money to repair or replace during an emergency than what it would cost to have it done during a reno or rehab.

The focus here is that if you are renting properties, you want your tenant's houses to function correctly.

They will be happier and will stay longer if the basics are met e.g water, sewer, electrical, mechanical, and roof. This will also save you huge money with the property manager and maintenance calls. The key to profitability with on-going rental properties is to keep the tenant in place, keep them happy and limit the service calls. With an unhappy tenant you risk them

moving on a whim and they will break the lease because the house is not functioning and will have the legal right to do so.

What you do not want to spend money on is cosmetics. This is one of the areas that gets overlooked and of course is a major selling point to those buying properties. The buyer of the IP wants a pretty picture but beware of the house that looks great cosmetically yet has a 30 year old furnace, 30 year old copper pipes and a roof that is only good for a few years, along with an electrical system that is outdated.

Beware of buying a house that has just passed a building inspection because most houses can pass inspection the day they are inspected. Remember, the house is vacant and once the houses start to function e.g the lights are on, water is used and the toilet flushed ten times a day that the shortfall of these systems comes to light. If a 30-year old furnace is cleaned and working the day of the inspection the Inspector will sign off on it.

The smart investor will make sure the basic functions of the house are right because the tenant will still rent the house without brand new paint and designer colors on the walls. One needs to remember that these houses are going to take a lot of wear and tear, so don't overspend on cosmetics. You need to allow 10% to 20% of your monthly rent for repairs and maintenance, depending on the age of the property.

War Zones

This term as it relates to investors buying investment property is crucial to understand for the out-of-area investor. War zones exist in virtually every major metropolitan area of the U.S with a population of 250 000 or more.

What is a war zone?

War zones in this context are areas that are very high in crime and intense drug activities. War zones in many areas are not just confined to one demographic that creates the war zone but tend to be regionalized. South Western United States and California may have two to three demographics that have divided up their territories and created what is called turf wars.

The housing in these areas has progressively gone from mainly owner occupied, great little neighborhoods back in the 1940s and 50s to non-homeowners and majority rentals. As this transformation takes place, the value of real estate falls over time and in many areas, these war zones have no true value as investment properties. Because of management and repair costs plus collecting rents, they will not see any kind of positive cash on cash return over time and almost certainly no capital growth.

This is the area of investment property (IP) investing where the out-of-area investor *must* use extreme caution. When prices are advertised for these properties, the out-of-area investor can't believe their luck even though they seem be too good to be true. While one can buy a house for these prices and rents may approach those advertised, in almost all cases the rents become nearly impossible to collect. These are professional tenants that move constantly from one home to the next, pay rent for one or two months and know the eviction laws as well as any attorney.

These homes are located in such poor locations that good tenants will not rent them. What is subsequently created is a downward spiral with the next investor trying to make a go of it. In practice what happens is an investor sees a great looking home online (and yes, in its day or with paint and fresh yard clean-up, it looks decent) with the representation of a rental amount that equates to a 20 to 30% gross or even net yield that is just too good to pass up. The off-shore investor will reason that this is such a small amount of money to buy the home they will take the risk. After all, it's less than a deposit or even stamp duty on a home in their own country.

So the home is bought but very often the property managers that work these areas can be as nefarious as their clients. The house may or may not need renovating. Not needing renovations is termed *turn-key ready*, however in these war zones, a turn-key house can become stripped in a matter of days. Then the owner is left with a home that will need another \$5 k to \$15 k in repairs before they even put the tenant in. Once the tenant is in and the

owner is very, very lucky, the tenant stays a year. On average, the tenants last maybe six months, do significant damage and any rents that were collected are used to make the house ready for the next tenant.

Once the IP owner goes through a few of these rent/reno cycles, repairing the same items or stolen items numerous times it becomes apparent that their inexpensive IP is a never-ending cash drain. With no hope of capital appreciation, the investor just stops putting any more money into the property and even stops paying the property taxes (rates) and the property in a few years is sold at the County Tax sale.

The cycle just keeps on repeating. By now the house sells for next to nothing and a new investor comes in and repeats the same cycle. The U.S investor has learned this lesson the hard way over the last 15 years, with most war zone homes now being sold off-shore.

The homes in war zones are sourced through investors giving up, and county tax sales, along with banks that were forced to loan on them in years past. The notion that these homes are being bought by wholesalers from homeowners that lost their property is a false one. 90% of these inner city war zone properties are sourced eventually from an investor who failed and got tired of throwing good money after bad and just took what they could get to sell the property and be done with it. Many investors just give up on it and let it go for taxes owing.

Many homes will go through this cycle a few times before they are beyond salvage and will be either burnt down by vandals and/or boarded up and destroyed by the city. There are huge swathes of these types of areas in the Upper Mid-West and the old industrial towns of the U.S. Although, as previously stated, these areas exist in every large city with some much worse than others.

In the war zones of the Western U.S, the values did not plummet as much as the Eastern and Midwest. However the danger in these areas is very real for the out-of area IP investor, both physically and monetarily.

Case Study: Detroit

First and foremost there was the case of one investor who actually made the evening news in Australia. He had bought two separate properties, one in Detroit, Michigan and Ohio.

The Detroit house was sold to him through an Australian marketing company that stopped returning his calls or e-mails. The seller was a known wholesaler that Jay did business with in 2005 and would not do business with again or recommend in any way.

The home was in one of the poor sections of Detroit, was rehabilitated (rehabbed) and the tenant moved in. The property manager that was referred by the Australian marketing company never once sent this investor any rental income and ended up disappearing as well. It is highly likely that the property manager was not licensed and basically absconded with the rental income. During at least six to eight months of repeat requests to the Australian marketing company, the investor received just a few 'pass the buck' e-mails.

This investor reached out on one of the public forums in Australia and a few Americans on the forum came in and did what they could to help. A new property manager was located and it turned out the house had squatters in it, had been trashed and would need a complete renovation once again.

Jay had one of his old Detroit clients do a drive-by and his advice was to wholesale the property for whatever he could get and take the loss. His investment in the property was \$50 k or more plus it needed another renovation as stated. The house had a current value of maybe \$10k plus back property taxes and no doubt a big water bill. The water bills in Wayne County, MI follow the property owner and not the tenant and then become a lien on the property.

The bottom line was that this investor was induced to buy by the 30% returns of Detroit plus his Australian representative knew nothing of what he was doing and was just in it for the quick dollar. The U.S wholesaler was one of ill-repute and the property manager was even worse. This disaster played out over a period of about a year with the investor sending email after email.

Case Study: Atlanta

Atlanta, Georgia has had some really good press and there are a lot of Australian investors that bought two to three years ago, were choosy where they bought and have made good investments. The market has gone up in value over the last 18 months because of hedge fund activity.

However, another Australian investor bought in a county that has had their school system decertified by the U.S government and is one of the few school districts in the nation to have that happen. Many Americans buy a home in a good school area so this would have had a dramatic effect. This investor's house had sat empty for eight months before Jay received an email from him.

Since Jay has a nice size portfolio there he sent his property manager partner to do a drive-by and of course the house was empty, the air conditioner was stolen and copper piping stripped out. It would take another \$10k to \$15k to get this property back up and running.

Above are only a few case studies but are a reminder that you must do your own due diligence.

The most common e-mails received are:

“My property manager won't communicate with me, my house is vacant and can't rent it, what do I do?”

“The seller or marketing company is out of business and my house never got renovated like it should have.”

“I sent the contractor money to renovate. The contractor never did the work and I can't get in touch with them.”

A common thread is how long it takes these companies to communicate with their investor. Solid U.S companies will send return e-mails the same day or the next day at the worst. On the whole, the good apples are very responsive to their clients, so when investors say that so-and-so has not contacted them in 30 days even with repeat e-mails it is obvious they are dealing with a poor company.

Of course there are the thousands of investors that have got on to reputable marketing companies and have had a good experience. However, based on experience and a 300 home portfolio it is unlikely that investors are generating the returns that were touted when they bought the property. Only time and the markets will tell how good of an investment it will be in the long run.

Financing

Since the great global financial crisis (GFC), financing for investment properties has been a serious challenge for the average U.S investor and nearly impossible for the foreign investor.

The larger financial institutions which write the majority of the mortgages in the U.S, i.e. Wells Fargo Bank and Bank of America, are all following Fannie Mae and Freddie Mac underwriting guidelines. These guidelines changed drastically in August of 2008. Even though these lenders say they are making loans, the criteria to qualify for the loans precludes 90% of the applicants from ever receiving a loan for an investment property. These banks are not allowed to make loans to Limited Liability Companies (LLCs) or corporations on single family rentals and the borrower needs to be domiciled locally. There are exceptions, however. For e.g, a foreign individual may qualify for a holiday home or an owner-occupied home loan subject to credit history and financial standing.

The extreme tightening of credit in the U.S is one of the major underpinnings of what happened to the real estate market. It caused property prices in many areas to go into free fall, which has created the best buying opportunity of the century. This was exacerbated in cities that had a high percentage of rental properties and markets that were driven by the investor speculating on ever-rising values. As liquidity dried up, values dropped and investors engaged in strategic foreclosures at epidemic numbers. Markets like Phoenix, Arizona, Las Vegas, Nevada, Florida and many parts of California represented almost 50% of the foreclosures nationwide.

Banks retrenched and re-established new lending guidelines as directed by the federal government putting the market into further turmoil. Local community banks already had state and federal guidelines that precluded them from lending on any property or to any applicant that was not in their lending footprint; this footprint generally being within 100 miles of the bank or markets the bank served.

In effect, it was a perfect storm. The larger national lenders, forced to implement federal guidelines, curtailed their non-owner-occupied business by 90% across the country. Local community banks, if they were still able to loan at all on real estate, could only loan on local properties or to local investors. Private money lending in the U.S has really never been more than mezzanine financing meant for short term holds, such as renovators.

The off-shore investor, seizing the value proposition that is today's real estate market was forced to come to the market with cash. Once the real estate market in these areas was reduced to cash-only sales, this further created downward pressure on the values. Consider this: What would the

value of automobiles be if there was no financing and no leases available meaning that all cars had to be sold for cash only?

The \$60,000 SUV just would not sell and prices would plummet. The auto industry would probably be like third-world countries where only the rich would have a car. This is what happened in many of the markets in the U.S. With cash-only purchases, the property prices fell to what investors were willing to pay for a cash-only transaction.

As time goes on, lending is loosening slightly for U.S citizens; however it has gone from non-existent to a few loans being made to those with the very best credit and good cash reserves. There are community banks that will lend in a few markets in the U.S to foreign investors, however these are very rare and not the norm. Many of these loans in the past few years have only been loans to sell their REO (bank-owned) inventory.

Vendor financing is a large part of the U.S market. Investors are finding some opportunities in many markets. Typically, the investor will need 50% cash down and the vendor will carry back a mortgage or *Deed of Trust* and *Promissory Note*. These loans can be customized to the sellers and the buyers' needs, and will provide some leverage into the U.S market. An investor just wants to make sure they are not overpaying just to get vendor financing, so do your homework and due diligence.

Many overseas investors would be thinking to themselves that since they have great credit at home, some cash and equity in property in their own country, and a great paying job why won't the U.S banks lend to us? The answer is that in the event of a default, the bank really can't do anything to a person living abroad. The cost of bringing an international lawsuit, hoping to enforce a judgement for non-payment is just not something that any banking institution would ever consider, especially given the size of the loans for IP in today's market. Of course, large multi-million dollar transactions would be another story. But for the average investor buying an IP property in the States, lending by U.S banks is just not going to happen anytime soon, if ever.

Based on the above, it would be advisable not to let anyone selling a property convince the investor that there will be some financing down the road when the lending environment returns to some sort of normal balance.

Insurance

Proper hazard and liability insurance is critical for the out-of-area investor. This is especially true with non-owner-occupied investment properties. Like insurance in most countries the investor is able to buy a policy of insurance to insure against fire damage and certain liability issues. Then there are riders to the policy that you can pay extra for e.g wind damage, flood damage, earthquake damage. Each part of the country will have insurances that one should consider.

In Florida you are going to need wind damage (hurricane) however you also may be offered *sink-hole* protection. Florida being only a few feet above sea level is notorious for homes sinking into what are called sink-holes. It's much like earthquake insurance if you live in Los Angeles. Very rarely would you need it but if you need it you really need it. In the states that are prone to thunderstorm activity, wind damage is a must. Violent thunderstorms create tornadoes that can devastate large areas, with these storms occurring from the Rocky Mountains to the Canadian border and down to the Gulf of Mexico. Any property in these areas should have wind damage insurance.

With flood insurance you can ask your insurance agent to look at the federal flood maps and see if you are in a flood prone area. Now these maps are not always very accurate, but if your property borders any type of creek, river or drainage way you may want to consider this. If your house floods and you do not have the flood rider you are not going to have insurance.

Now for the most critical aspect of insurance and one that catches many, many IP investors by surprise: vandalism and theft riders are extra. They are also expensive, but in an inner city war zone type of area they could be very beneficial. You will need to discuss the excess with your agent and if you have multiple claims will they still provide cover?

The other critical aspect where Jay has personally seen investors lose their entire investment is a home that is vacant for a period of time longer than is allowed in the policy. Many policies will drop coverage after the home has sat vacant for more than 60 or 90 days. If you have a major claim with a vacant IP the first thing the adjuster is going to ask is when the tenant vacated the property, plus they will interview neighbors, etc. If they determine the house sat vacant for more days than the policy allows for, your claim is denied and in the case of a total loss by fire the investor has lost their entire investment. They would be then left with a block of land that would cost thousands to clean up and in most areas has no value because the cost of new construction far exceeds the value of the existing homes.

If your reno is taking an extended period of time you will need to buy a *Course of Construction* policy that protects you through the reno stage. It is very common to hear of investors buying IP properties and then talking

about how the reno took 90 days and then another 90 days for a tenant. In most cases, after 60 to 90 days they were uninsured and did not know it.

In summary, buy hazard insurance that is peculiar to your location in the states. If you have an IP property in California, you would consider earthquake insurance, however wind damage in most areas of California is non-existent. In the mid-west, you need wind damage however earthquake would not be a big concern. In Florida, do your research on sink-holes.

Liability Insurance

For the investor that may be buying one or two investment properties, liability is important but not nearly as critical as some make it out to be. Being a foreign citizen, it would be highly unlikely to almost nonexistent that any lawyer would pursue an international claim. The cost of doing so without any assurance of winning would prevent this. In Jay's 35 years of experience of owning rental properties in the U.S, he has never had a liability claim. It can happen, but is very rare.

There is mention on the Internet about how litigious the U.S is, but that is just not the case with the demographic of the tenant pool that you will be renting to. If they get a lawyer it is going to be on a no win – no fee basis and when the lawyer sees that they can't get to you personally since you are offshore, they will just get what they can get from your liability policy. If you are really concerned about liability then you can buy what is called an *Umbrella Policy*. These are very cheap in the order of \$300 to \$500 a year for \$3 m to \$5 m coverage. These will come in to play if you are unlucky enough to get that one-in-a-million claim against you.

In summary, you should have liability insurance but it is not necessary to over-insure yourself and if you need extended coverage ask your agent to quote you on umbrella policies.

Extended Home Warranty Policies

These policies can be very good if you buy an existing IP with 20 year old water, electrical and mechanical systems. However if you just bought an IP that has all brand new items you will have manufacturers warranties for the first few years. Make sure your rehabber sends you the warranty card to fill out and mail in. The chance of a water or electrical issue happening with a reno in the first 5 to 10 years is remote. These policies will cost \$300 to \$500 a year and they come with a minimum service call fee. Discuss these with your property manager before you make the purchase. So assess your IP and if it has been freshly rehabbed, check how old the major systems are that a tenant may cause to fail. If you have brand new equipment, get your warranty information that came from the manufacturer and make sure you register with them as the owner so you are covered and in their system.

Property Management

Property management will make or break your U.S property investment.

Property management of single family homes is dominated by small mom and dad shops managing anywhere from 10 to 200 rentals, along with some real estate agencies that have taken on management to supplement the plunging commission revenues of the last five years. The larger, albeit more 'professional' management companies manage apartment blocks and commercial real estate and will have 1,000 to 20,000 units in their portfolio spread over many states.

The management of single family rentals is much more difficult because of the proximity of the properties and travel time between them as well as the fact each house is different with different maintenance issues and needs. Compare this to an apartment block that would have, say, 50 x 2-bedroom, 2-bathroom units with the exact same floor plan, fixtures, appliances etc.

In most states a property manager must be licensed with that state's Department of Real Estate to perform the duties of a property manager. However it is very common to have mom and dad managers just open shop without proper licensing or experience as it is a very simple task to put a website up and offer your services. A properly licensed property manager will also have a 'client's trust account' that is balanced each month and is not co-mingled with any other accounts and is subject to audit by the regulating authorities. All rents are deposited and payments to the owners and maintenance is then written from these accounts.

Described below would be the duties of a reputable licensed property manager:

Advertising for Tenants

This would be done on the Internet, the media and also with 'For Rent' signs on the property. Watch out for 'For Rent' signs as these properties can be an easy target for vandals. In the U.S, some areas can have 10% vacancy rates meaning a property can sit vacant for some time.

Properly Screening the Tenants

A credit check along with criminal background check should be a minimum. Each market will have its own criteria for what the minimum standards are based on the demographics of the tenant base. In other words, a potential tenant in San Francisco, CA might need a 700 plus Fico score to qualify. And a tenant in inner-city Detroit might need a 580 Fico. Each management company will set its own standards to suit its tenant base.

Preparing and Executing the Lease Documents and Disclosures

These will be state specific and vary widely from state to state.

Taking Care of All Maintenance Issues

It is customary for the property manager and the property owner to set a dollar figure on what repairs can be done without prior authorization. Each property manager will have their own standards for this. Property managers can and do mark-up repairs whilst others will pass them on for true costs. Make sure you know what you are paying in advance.

Collecting Rent and/or Late Payments

99% of leases written will have late payment provisions.

Evicting Tenants in the Event of a Non-paying Tenant.

How Property Managers Get Compensated

Property managers will normally get a portion of the first month's rent as a leasing fee. This is especially true of any real estate sales agency that has taken on property management. As mentioned earlier, the real estate agents are supplementing their sales activity income with leasing fees. 10 years ago in the boom markets very few real estate agents would have even dreamed of taking the time to procure a lease. However, in the last five years in many markets (e.g Atlanta) it has been the difference in agents staying in the business or having to leave because of lack of income.

Furthermore, property prices have dropped so much in many markets that even if the agent is selling houses, the commissions have obviously dropped along with the price of the homes.

In the U.S, the standard sales commission is 6%, with brokers splitting 50% to the listing agent and 50% to the selling agent. 10% is not uncommon also.

What was a \$150,000 home and a 3% commission for each side (both the listing and selling agent) was a nice fee for the agent. Now that same house is selling for \$30k to \$60k, so commission is only \$1,800 to \$3,600, compared to \$9,000. Agents still have to do all the work they were doing for the \$150k house and are making a third as much. So if a house rents for \$900.00 a month and the leasing agent or real estate agent keeps the first month's rent as a leasing fee, they are making the same amount as selling the house and it's much easier than doing a full transaction.

In summary, leasing fees are crucial to the profitability of property managers and many real estate agents in today's market.

- **Property Managers Will Charge 6 to 10% of Collected Rents**
The vast majority of rents are at 10%, but again some states have regulations on this. Large commercial firms that rent to anchor type commercial tenants (e.g Starbucks, Walmart) will work for the 6%, as rent and payment of their fee is a certainty during the course of the lease.
- **Late Fees**
Most property managers will keep the late fee as an earned fee for the extra effort it takes to collect the rent and the late fees.
- **Mark-Up for Renovation and Repairs**
Most profitable property managers will mark up renovation and repairs and again need to do this to stay profitable. It is part of an owner's due diligence to know what certain items should cost to keep track of items charged by the property manager.

These are the three basic income sources for a property manager and all are critical to the success of the property manager. Many will work on an ala-carte type method. However, just as many won't.

What to Expect When Engaging a Property Manager

The vast majority of property managers, if they have been in business for any number of years, have been burnt by owners. By this, I mean they pay out of their own pocket emergency repair items or just plain repair items and the owners refuse to reimburse. Since the rent payments are by law to be deposited into the clients' trust account, the property manager does not have the right to just reimburse themselves for repairs an owner will not pay for.

The PM can fire the owner and they often do, but they usually do not get those funds. There have been instances of thousands of dollars an owner would not reimburse. So to that end, most property managers will require a credit card or deposit of cash money that is designated and agreed to ahead of time by the property owner and the property manager. These can be as low as a few hundred dollars and as high as \$2 k to \$5 k depending on the location of the properties and the demographic of the tenant base.

Collecting Rent

Rent collections in the U.S are income-driven. This means the higher the income the higher probability that the tenant will pay on time, as well as by

demographics. Either they do not trust the banking system (a cultural issue) or they have demonstrated poor money management in the past (e.g. bounced too many checks) and cannot get an account. Once a U.S citizen is flagged for writing bad checks, their name goes into a national data base and they will be denied accounts anywhere they try to open new ones in any of the 50 US states.

So what does this mean?

A good proportion of the rental properties that are being bought by buyers from overseas are in areas of these tenant bases. So as much as 50% to 80% of a property manager's tenant pool may not have a checking account and will pay by money order or bank check each month. They will, in many cases, hand deliver these on or about the first of the month.

Based on this behavior, state laws dictate that any funds that are paid to the client trust account have to clear the bank before they can be sent to the property owner. This is why most property managers pay one month late or no sooner than the 15th of the month, as it gives them time to collect the rents and make sure that the funds clear. One has to understand that if a property manager sends a check from their trust account and the funds that were deposited have not cleared then that is a violation of the law and their license can be revoked.

There will be a certain number of tenants that have checking accounts and will have auto-drafts (direct debits), but that is the exception and not the rule. It is all about managing expectations. As long as an owner knows that their rent will not appear in their account until the next day and that there are collection efforts going on, they can monitor their account accordingly and work with their property manager. The property manager only gets paid for collected rent so they want the rent to come in on time and be collectable funds just as badly as the owners do.

Government Subsidized Rents

Many markets have subsidized rents. You may hear the term HUD or Section 8 tenant and this is just one of many programs. Each state and many cities will have their own programs. It is not uncommon for a tenant to have multiple funding sources that come from some government agencies. The critical thing for the out of area investor to understand is that these are *not U.S Government Guaranteed Rent*. The property must qualify and the tenant must qualify plus both the tenant and the property must stay qualified. Each year on the annual renewal date, there will be an inspection by HUD or any one of these agencies. If the property fails the inspection your subsidized rents stop, but the tenant is still living there.

In addition, tenants can be terminated from the program with 30 days notice and this is a fairly regular event. They can be terminated for not divulging income or making too much money. The subsidies may also change from year to year. If the subsidy is reduced, the tenant needs to bring in the balance of the rent and that can present collection issues. However it is critical to screen potential tenants just like every other tenant. There are great tenants and there are ones that you want to pass on just because they are HUD or Section 8.

In summary:

An investor will want to verify with the real estate department of the state where the manager is located that the manager is licensed and in good standing.

Property managers in the U.S do work hard for their money. The vast majority of the lower-priced rentals are very management intensive and the property manager usually earns every cent of their pay.

Manage your expectations on rent collections. Understand the tenant demographic and the pay cycles of rents.

HUD rents can be an excellent way to go. Use the same judgement as you would with any other tenant. Most HUD tenants will have very poor credit, however what you want to look for in their credit is that they are handling their day-to-day bills. If their poor credit is based on medical collections you need to discount that. However, if they are not paying their utilities, or mobile phone etc, you may want to consider another tenant.

Moving Forward

U.S property prices experienced the bottom of the market around the beginning of 2012 in most areas. The markets that are the most notable are Phoenix, Las Vegas, Southern and Central California, Florida and Atlanta, as 60% of all foreclosure and distressed properties were located in these markets. Since the global financial crisis (GFC) with the cascade of crashing values, investors have been actively buying in these markets.

The Australian buyer has been very active as have the British and Chinese. Gross rental returns are fairly stable and have not changed a great deal for several years so as the purchase price has risen, in the last 20 months the net rental returns have decreased.

Add into the mix that the U.S hedge funds decided to get into the single family residence rental home business in a huge way. Blackstone group bought 16,000 homes in the last 20 months with Colony Capital 4,000 to 5,000 and many other smaller funds buying 500 to 3,000 over the same period of time. This has had a great impact on what used to be mum and dad investors and in many markets the smaller individual players or smaller investment companies have been sidelined as they cannot compete with a hedge fund that is happy with a 5 or 6% net return. These hedge funds are banking on appreciation to bring in the bigger returns.

It is still anyone's guess as to how well these funds will do. Single family residences are much harder to control and manage than say an office or large apartment building. Until the last couple of years, these properties would have been the only thing a hedge fund would have looked at in the real estate investment arena but with so many bargain buys on offer in the residential market, these funds are also jumping on the bandwagon.

There are still good buys to be had in markets that have not seen the intense competition. However, use caution. Properties that offer what seem like 'too good to be true' returns are management-intensive and so are very difficult to maintain consistent returns. For the overseas investor, the time and effort required to keep these properties performing at those levels is almost impossible. The value of properties in these markets are low and remain low for an indefinite amount of time as these properties tend to go through the rental/rehabilitation cycle every few years.

The opportunities for capital growth still exist in the United States because even though prices have firmed up they are still down 20% to 30% from their highs in a lot of markets and still 50% down in some areas. Your investment strategy should include areas of strong potential growth as well as good cash-flow areas. Be realistic in your expectations and you can do very well.

Conclusion

In writing this book we have discussed the many items that need to be considered when buying an investment property in the U.S. As we have stated, the U.S market really does present itself as the perfect storm in many aspects, e.g the meltdown of the financial and housing industry followed by the greatest buying opportunity in most investors' lifetime.

What we have given in this book is the knowledge to ask the right questions when purchasing a property in the U.S. Like any industry there are a lot of great companies that do very good business and then there are the quick buck artists that are here today, gone tomorrow and do not have the investor's best interest at heart.

There is a tremendous amount of free information regarding properties in the U.S available on the Internet. Almost all U.S counties have their properties, tax collection and other statistics online and there are also many other free websites. In fact, there is so much information it can be overwhelming and for that reason we have tried to present the U.S-based on the facts and not on sales hyperbole.

All the best in your investing success!