



An Agent's Guide to Diversification in Nontraditional Real Estate

Compiled from previous editions of the "Voice of the FORCE" newsletter.

Diving into Diversification

Mixing Traditional and REO Sales to Buy Business

BY 2007/2008, THE WRITING WAS ON THE WALL THAT THE HOUSING BUBBLE HAD BURST. TRADITIONAL REAL ESTATE AGENTS FOUND THEMSELVES SCRAMBLING TO SAVE THEIR BUSINESSES IN A MARKET THAT WAS NO LONGER HOMEOWNER FRIENDLY. THE ANSWER FOR MANY OF THESE AGENTS WAS THE GROWING NICHE OF REAL-ESTATE-OWNED (REO) PROPERTIES. NOW, THE TIDE IS TURNING AGAIN AS TRADITIONAL HOME SALES HAVE BEEN SHOWING INDICATIONS OF STRONG GROWTH. RATHER THAN ABANDONING REO COMPLETELY, SMART AGENTS ARE LEARNING TO BALANCE THE TWO FIELDS TO CREATE STRONG BUSINESSES THAT CAN WEATHER ANY MARKET CHANGES. WHILE TRADITIONAL AND REO SALES ARE BOTH UNDER THE REAL ESTATE UMBRELLA, THE CONTRAST BETWEEN THE TWO MARKETS CAN OFTEN BE STARK. RECOGNIZING THE DIFFERENCES BETWEEN TRADITIONAL AND REO SALES IS THE KEY TO SUCCESS IN CREATING A TRULY DIVERSIFIED BUSINESS.

Managing Differing Clients

One of the biggest gaps between traditional and REO sales are the clients. In traditional sales, agents work with buyers to find the perfect house; while in REO, agents are serving the needs of banks or other entities. The differing goal of these

two groups—finding a house to make a home vs. offloading an asset—affects how an agent should approach the sale. To have a truly diversified business, an agent will have to juggle multiple client perspectives. Amber Corrow-Scott of A to Z Brokerage, Inc. aka ERA American Horizon Realty has worked in the REO market for more than five years and has seen the difference between traditional and REO clients firsthand. “[In REO], you no longer have a client with a personal interest in the property. You are now working with someone who is only interested in the bottom line and getting the property in a certain condition for marketing. All of the issues you have with a private seller no longer exist. The REO seller listens to your opinion of value and uses it within their parameters along with an appraisal to determine the value at which they will list the property,” says Corrow-Scott. As a top agent at Alain Pinel Realtors, Tammie Jann agrees. “The REO sale is a nonemotional side of the business. Once the homeowner leaves the picture, the bank and servicer base decisions on values and market timing, there are no emotions, just business.” While working with businesses that truly understand the underworking of the industry can be a plus. Raul Villacis of Advantage Realty Group Advisors still appreciates the face-to-face contact that comes with traditional sales. “The fulfillment and appreciation that comes when you have made a dream come true for a family in assisting in the

Now, the tide is turning again as traditional home sales have been showing indications of strong growth. Rather than abandoning REO completely, smart agents are learning to balance the two fields to create strong businesses that can weather any market changes.

Diving into Diversification (Con't)

Mixing Traditional and REO Sales to Buy Business

purchase of their new home is something you will not get from REO clients," notes Villacis.

Determining Your To-Do List

Since individual buyers and institutions have such differing goals, it is not surprising agents will have to completely diversify their tasks to satisfy both groups as clients. Steven Terry has noticed a large gap between the staff and investment required in working traditional vs. REO sales. "My traditional sellers get called as showings or offers come in, and we usually touch base twice a month or so to handle these clients. I just need myself and a staff member—no real cost. My REOs require weekly drive-bys, monthly BPOs/MSRs, weekly updates on under contracts, establishing and mining utilities, submitting expenses, evicting, cash-for-keys (CFK) offers, and the list goes on. It takes three people and thousands of dollars in reimbursements to be able to handle 100-plus REOs," says

Terry. "REO clients tend to have more reporting requirements, specific timelines for completing tasks, and generally absorb more time because of the variety of tasks," reports Jack Gale, a veteran agent with Coldwell Banker Sea Coast Advantage. The rigidity of REO work can be demanding, but so can managing business from the buyer end. "I prefer REO because it is more of an expected process. Traditional sales have so many different factors that can put a kink in a sale," states Tara Nagelhout of Emerald Valley Real Estate. However, this does not mean Nagelhout has found REO stress-free. Some challenges associated with the field can include, "lack of reasonable financing options for properties that are not in

good condition as well as having a terrible time with some of the larger preservation companies showing up and actually doing the job," says Nagelhout. Worthwhile Balancing Act In today's turbulent times, diversifying your business can be the necessary step in keeping it going in lean times and provide for a competitive advantage during robust markets. Though the challenges in managing both traditional and REO sales can be daunting, it is one many agents have found rewarding. "I always diversify and never count totally on either one ... I like REO best but I like the commissions of traditional much better along with the higher price point," says Lisa Long of Windermere Real Estate. "I have always had a diversified business to flatten out the ups and downs of both traditional and REO sales. I believe that to be a successful agent you need to have a balanced business—some number of REOs and traditional listings," concludes Gale.

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TARA NAGELHOUT, EMERALD VALLEY REAL ESTATE.

Working the Auction Angle

REO Agents Share Their Experiences Working with Auctions Companies.

The Pros, Cons, and Unexpected Adaptations

The rise in popularity of REO auctions in the last few years has left many agents scratching their heads, trying to figure out how they fit into the equation. Today's savviest real estate pros have found that auction companies do not have to be viewed as the competition, but as one more way to expand their business outreach. This does not mean that working with auction companies is a seamless transition however. Auction listings present challenges that traditional REO listings do not, such as a different commission structure and less control over the outcome. Learn how FORCE agents are working in this new realm to grow their businesses and remain competitive.

Managing New Expectations

To better move "difficult" properties, many banks are turning to auction companies. This decision can be made after the property has already been listed by an REO agent (and experienced no movement) or at the start of the process.

For agents and brokers already familiar with REO properties, listing properties for an auction company is a fairly straightforward process. Debi Jensen of Century 21 All Profession has the following advice for agents who are uncertain about working with auction

companies: "It is always best to keep an open mind to things that are new. And keep the lines of communication open and continuous to closing." When it comes to listing, she explains that, "Each auction company has their way of doing things. As the listing agent we work with them and list the property

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DEBI JENSEN, CENTURY 21 ALL PROFESSION



in MLS with auction site, viewing instructions, and submitting offer instructions. The auction company keeps in touch with us letting us know who has the winning bid and we take it to closing."

Jinny Heisler of J.E. Heisler Real Estate Group, LLC advises that when working with an auction company, the listing agent must prioritize: "knowing the ins/and outs of the auction process to educate the selling agent and/or the buyer, visiting property at least once a week, having enough reserves for paying utilities or repairs, holding a minimum of three open houses, and making yourself available to agents or to buyers for calls or showings." While the workload is lessened with an auction property, the commission often is as well. "The downfall of the auction model in our area [western Pennsylvania] is that we have very low property values and the current trend of auction companies is

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either paying no commission to the buyer agent or only paying 1 percent to the buyer agent," explains Michael Kusenko, Jr., of ERA Meridian Real Estate Group. "These low property values also mean that we'll be paid a \$600 fee to do all the work we do and then see the auction company get paid a \$2,500 fee or more. Couple that with referral fees that the seller pays out of sometimes another \$2,000 and the disparity in what we are paid is oftentimes a difficult pill to swallow," he continued.

While working with an auction company lifts a lot of responsibility off the listing agent's shoulders, as Kusenko touched on, it also comes with a loss of control over the listing. For Lisa Lopez of Home Alliance Realty, this lack of involvement has been accompanied by a dearth communication on the auction company end. Lopez recounted how the auction company who was processing her most recent deal did not know some basic information about the sale, which was problematic to say the least. "As a broker, and also speaking on behalf of my sales agents, when we aren't handling the sale, we lose control of certain processes which can make or break how smoothly a sale proceeds. We are used to checking in weekly with the other side for updates. That was not happening on the sales in which we dealt with auction companies," explained Lopez. Kusenko has found that even gaining access to the property can be a challenge when they are listed via auction. "There is a trend to market occupied properties via auction. However, without access to the interior of the properties, we cannot get the municipal testing requirements completed to close. In those situations, the auction company will get the property under agreement, but it will never close without the tests being able to be completed," says Kusenko.

Gateway to Greater Opportunities

A lower commission and less control over the property are understandably two significant stumbling blocks for many agents when it comes to working with auction companies. However, Cynthia Daves of Coldwell Banker High Country Realty advises other agents to keep their eye on longer-term gains. Yes, individual sales when done through an auction company may not net the listing agent as much as a traditional listing but working with auction companies come with their own rewards. Increased exposure to investors is one such reward, according to Daves. "During a recent, one-day online auction I spent the better part of a day fielding questions from potential bidders. Once those bidders "won" their respective properties they called me back and asked me if I was interested in listing them when they were ready to go back to market. Oddly enough, several were properties were ones I didn't have listed but that I had enough knowledge about to answer their questions. More importantly, I earned their trust," revealed Daves.

Hitting the Mark

FORCE Pros Discuss Crafting a Successful BPO that Targets Value and Meets Expectations

THE BROKER PRICE OPINION (BPO) IS ONE OF THE MOST IMPORTANT TOOLS IN A BROKER'S ARSENAL. NOT ONLY DOES AN ACCURATE BPO MAKE YOUR ASSET MANAGER'S JOB EASIER, BUT IT CAN ALSO SET YOU APART FROM OTHER BROKERS WORKING IN YOUR MARKETPLACE AND ENSURE YOU ARE AT THE TOP OF AN ASSET MANAGER'S LIST. PUTTING TOGETHER A SUPERIOR BPO SPEAKS TO YOUR PROFICIENCY WITH SKILLS SUCH AS TIME MANAGEMENT, ORGANIZATION, KNOWLEDGE OF MARKETPLACE, AND OVERALL REAL ESTATE EXPERIENCE. WHILE ZEROING IN ON VALUE IS CERTAINLY WHAT FIRST COMES TO MIND WHEN CREATING AN ACCURATE BPO, THERE IS A LOT OF BEHIND-THE SCENES WORK THAT GOES INTO ACHIEVING THIS OUTCOME.

Sifting through the Data

Though a BPO is often less detailed than other valuation measures such as those done by certified appraisers, asset managers will expect agents and brokers to justify how they came to their recommended price point. "You must make 100 percent certain that your BPO value is backed up by the

solid supportive data that is virtually impossible to misunderstand or disprove," says Bill Crane of Chicagoland REO Servicing, a division of The Crane Organization.

Donna Brunkowski of Associated Brokers, Inc. of Greenwood agrees, saying, "The most important tool I use is to have an organized process system on each and every BPO. The process starts with gathering the property information from the county tax assessor website. Then checking MLS to see if the property is currently listed or has been in the last year. From there, I map the property

location before setting out on the actual drive by for photos and to observe condition and occupancy. Once back to the office, the search through MLS for the most similar comparable is started and documented in my BPO notebook." In terms of evidence, Crane suggests going above and beyond what is required. "If you are only taking the 10 to 24 photos that most BPO forms require on your initial inspection you are really not doing your job right. On most initial inspections, I will take in the range of 120 photos. In addition, most times there are not enough lines on the BPO forms to list all necessary repairs so both appraisers and BPO agents simply omit many of the repairs ... You'll have to attach an extended repair addendum when the property condition requires it," says Crane.

While doing your research is a key part of creating the BPO, many brokers will also advise relying on your years' experience and on-the-ground knowledge of the marketplace. "I use my local MLS data and knowledge of the neighborhood," explains Angela Powell of EXIT Team Realty. "It's important to know the market and the area you are asked to complete the BPO, just relying on the MLS isn't



Not only does an accurate BPO make your asset manager's job easier, but it can also set you apart from other brokers working in your marketplace and ensure you are at the top of an asset manager's list.

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enough to make sure you have the details needed for the seller to know what's happening in the area," she says.

Managing Tight Timelines

Asset managers rely on BPOs because they often have less expense and delay than other valuation methods. As such, quick BPO turnaround isn't just an expectation, it's a requirement. "Twenty-four to 48 hours is a good turnaround time before data starts updating," recommends Powell. Bruce McAlpin of Edina Realty Inc. says, "I can turn most BPOs around in 48 hours or less ... Ultimately it comes down to knowing your marketplace. If you do enough real estate sales, if you value enough properties, if you understand the current trends then you will be able to give clear and concise estimates."

As with other asset manager expectations, it is important to be candid when assessing whether the BPO timeline requested is feasible. "Occasionally, asset managers will ask for rush orders. If you do not know that you can meet their deadlines, it's

best to say so up front and to give them a realistic timeframe in which you can. Then it's up to them to determine if they can wait," says Brounkowski.

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ANGELA POWELL, EXIT TEAM REALTY.

Furthering Your Knowledge

Since asset managers have differing preferences on how BPOs are performed, learning company-specific guidelines as well as taking certification courses is a must. "Many of the major asset management companies will and do provide BPO/valuation training for their agent pools. VRM has a great site to help agents to improve the accuracy and their processes for good quality BPOs," notes McAlpin. Yoon Whang of Safeway Realty LLC, says that she has honed her BPO skills through certifications and continuing education. "I am member of Broker Price Opinion Resource (BPOR) and certified in BPO through BPOR with 16 hours of courses by the NJ Board. My knowledge also comes from courses with the FORCE, RES. NET, Equator, and SAM," reports Whang. Ed Laine of Miller Laine Properties, has found the key to getting accurate BPOs is continual practice. "The best way to get better is to do more and more reports. And, you don't have to wait until you get an order to do that. We train on the art of BPOs as well as the science. And then we have our brokers do 10 to 15 reports to get practice in, and then I have something to review and coach them up from there," says Laine.

Building Relationships and Your Competitive Advantage Broker's Price Opinion in a Changing Market

"BUILDING YOUR RELATIONSHIPS BY ACCEPTING WORK ASSIGNMENTS ALWAYS BENEFITS THE AGENT," WAS THE ANSWER ED DELGADO, PRESIDENT AND CEO OF THE FIVE STAR INSTITUTE, GAVE TO A MEMBER'S QUESTION FOCUSED ON PROVIDING BROKER'S PRICE OPINION (BPO) TO MORTGAGE SERVICING COMPANIES SUCH AS OCWEN OR NATIONSTAR. HE WENT ON TO ADD: "BEING ASSIGNED WORK OPPORTUNITIES IS A GOOD THING, ESPECIALLY IN A SOFT MARKET."

BPOs Build Relationships Which Build Businesses

Seek out BPO opportunities. Mortgage servicers require standardized opinions which support their efficient processes, but standardization does limit your opportunity to provide the most comprehensive BPO possible. Seize this opportunity to become the most valuable provider of BPOs to your mortgage service provider. Accurate property values reflected in a hybrid valuation can be enhanced by repair costs and as-repaired value. A post-transaction analysis includes

data from a thorough review of previous valuations and reconciliation of value differences.

Reliability and Efficiency the Keys to Success

Loan servicing oversight systems include BPO reports. Be sure your report provides the maximum documented information possible as large mortgage servicers employ a systematic approach to loan servicing. Good portfolio management seeks to maximize returns while minimizing risk. A complete understanding of valuation portfolio managers are consistently involved in determinations involving property options such as short sale, property foreclosure, loan modification or

repayment plan. A thorough BPO helps managers make the best decision and valuation plays a significant role in that decision. Distressed loan investing requires efficiency supported by a systematized approach. Specialty servicer capacity includes the aggregation of information in a standardized fashion. Be the reliable, dependable provider of BPOs and watch your business grow.

SFR 101

Whether you are a first timer or a seasoned investor, now is prime time to get into the single-family rental (SFR) market. Real estate investing can be overwhelming, but with proper planning and research, the process can be comparatively painless.

Do Your Homework.

It's important to know everything you can about any investment you are making, and real estate is no exception. Talk to other investors, read articles and books, take courses, and attend seminars and conferences to help you get your footing. Learning all you can about the real estate investment process will help you immensely when planning your next move. This is a Business. Have a Plan. Do not make the mistake of thinking that one or even just a few rental homes is a hobby or past-time. Rentals are business transactions and should always be treated as such.

First, consider what you want to get out of the venture. Are you looking to make an immediate return, or are you bidding your

"Building your relationships by accepting work assignments always benefits the agent. Being assigned work opportunities is a good thing, especially in a soft market."

ED DELGADO, PRESIDENT AND CEO, FIVE STAR INSTITUTE

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time with appreciation goals? Answering these questions will set you on the right track of the type of investment property you may be interested in. For example, if your goal is selling in a few years with appreciation, you may consider buying a home and turning it into a rental. However, if your goals consist of more immediate income, then you will definitely want to think about investing in a producing rental, which has renters already in place. Once you plan the financial goals for your investment, you need to take a hard look at your financial stability. Will you pay cash for your investment home, or will you need financing? There are many ways of getting rental properties financed in today's market, including conventional loans, REITs, partnerships, or non-bank loans. Research your available options carefully as each option has varied interest rates, loan periods, and stipulations.

Deal Closers and Breakers

After you have decided how and for how much your property will be financed, you are ready to take your first look at the market. It's time to learn all you can about your market. Experts agree first time investors should stick close to home because this is the environment you know best. Things to consider in your market: neighborhoods, schools, property taxes, crime levels, the current job market, neighborhood amenities, future development potential, number of listings in the area, and current rent rates. Each of these points can be a deciding factor to renters and can be direct effectors on your success rate. When deciding on an investment home, you must consider the underlying costs, as well as the sales price. These costs may include: mortgage principle/interest, taxes, insurance, water and sewer, garbage, HOA fees, lawn care, electricity, flood insurance, vacancy, repairs, gas, and property management. It's important to consider the shape of the home, and how much it will cost for renovations before it is rentable. Problem areas can

include roofs, foundation cracks, old or outdated plumbing, and outdated electrical. These are problems that can get expensive quickly, so have a professional on speed dial for advice.

It's All Yours. And Theirs.

Once you have closed (some experts say even before the closing process is finished), it's time to find renters. It's easy to get caught up in sob stories or hardship tales, but remember that you are running a business, and if you want to be profitable, you must remain emotionless. Properly screen your renters with background and credit checks, which can be ordered online fairly inexpensively from a plethora of reputable companies. Set boundaries for the expectations of your future renters, and do not bend on them. Your perfect renter will come along. Be open with your renters about your expectations, and list them clearly and completely in the lease agreement. Being clear and concise in your lease will save headaches on both sides later.

In Case of Emergency, Proceed to Exit

Perhaps the most important step of the entire process is to have a proper exit strategy. If the situation goes downhill, you will need more than one plan of action concerning how to exit the SFR market without losing everything you have worked for. Some strategies include "For Sale By Owner" plans, an investor line up, or even a listing agent that you know. Having an exit strategy will not only keep your finances safe but give you peace of mind in your SFR transactions. The new single-family rental market is full of opportunity. Make sure you are approaching yours positively.

REO to SFR

Not Such A Big Transition

FOR REO AGENTS, BUSINESS DIVERSIFICATION IS NO NEW CONCEPT. AS THE HOUSING MARKET STABILIZES, AND REO NUMBERS DWINDLE TO LESS THAN 400,000 NATIONWIDE, AGENTS ARE AGAIN LOOKING FOR NEW OUTLETS OF INCOME. COMING AS NO SURPRISE TO SOME, SKYROCKETING HOME PRICES JOINED WITH A STRUGGLING JOB MARKET AND NEW GENERATION OF HOMEBUYERS, HAS LED TO AN EXPLODING SINGLE-FAMILY RENTAL (SFR) SECTOR. ACCORDING TO PRO TECK VALUATION SERVICES, 2.5 MILLION SINGLE-FAMILY HOMES HAVE BECOME RENTAL UNITS SINCE THE MORTGAGE CRASH.

Millennials, who should be next in line to become homeowners, continue to shy away from the decision for multiple reasons, and the pattern doesn't seem to be changing. Real estate agents and brokers are beginning to cater to this booming market by getting their feet wet with single-family rentals, but the sector is still developing and is not easy to infiltrate. Prospective single-family rentals are easier to find than one

might think, as long as the agent has a creative mind and a little gumption. Asset management companies and investors are the most convenient way to acquire listings.

Many well-known companies are beginning to draw into the SFR market, including Blackstone's Invitation Homes, AmericanHomes4Rent, Colony American Homes, and Waypoint Homes' rental division, Starwood Homes. Choose reputable asset management companies to apply to, and showcase yourself properly on your

resume/bio. Remember, companies who do not know anything about you will be much less likely to use you. Lisa Shepherd,

Executive Director of Property Preservation, Assero24, says when looking for possible agents, her company "looks for agents who are responsive and know the cities." She goes on to explain that they "want an agent who really understands the urgency of meeting timelines." As with most property management companies, they consider this to be one of the most important qualities in agent prospects. Susan Speer, Vendor Manager, Chronos Solutions has the same perspective on traits that an agent dealing in the non-traditional housing market should possess. Speer looks for reliability in the agents, as well as knowledge of the community and the tasks involved with the project. The competition between agents is fierce with property management and investment firms, and only the highest qualified will be successful. "It's not about you for us; it's about finding a buyer," explains Speer.

"It's all about time." That way of thinking seems to be the general consensus behind most asset management and investor relations companies, so when dealing with these prospective clients, make sure to be on your game. On the opposite end of the spectrum, private real estate presents a vibrant and less touched sector of the SFR market. Many people choose to sell their home on their own, especially if they are not looking to sell quickly. Looking for these sellers and presenting options and scenarios including turning the home into a single-family rental can be of great benefit to both the seller and the agent. However, as with any new platform, there are downfalls. For example, the owner may want to sell the property to simply be rid of the pressures and responsibilities

Coming as no surprise to some, skyrocketing home prices joined with a struggling job market and new generation of homebuyers, has led to an exploding single-family rental sector.

of owning the home, or because they are moving a great distance. Good relationships with private investors can be productive in this situation and can provide an option for the seller that benefits both parties. Consideration of property management options is imperative before acquiring listings in the SFR market. As the agent, will you focus on the facilitation of transactions of single family rentals, or will your agency pursue a division of property management? Most portfolio owners prefer their SFR homes be managed by a management company rather than taking on the responsibility themselves. Many real estate agencies are beginning to offer these services as well as buyer and seller services. There are new obstacles that come with new business platform, such as renters, yearly contracts, and maintenance and repairs. After a plan of action has been decided on, listings should be gathered. These can be found through many of the same investors, hedge fund companies, and mortgage servicing companies used in the REO field. New connections with private investors and single renters is imperative with SFRs, according to a new study by Nolo.com. The study shows 85 percent of SFRs are owned by individuals with a portfolio of four or less homes. This can be easily facilitated through social media marketing, such as Facebook, Twitter, and Instagram communication.

Finding Success in the Single-Family Rental Market

While diversifying their business, many FORCE agents are finding success in the newly-popular single-family rental market. After the foreclosure crisis claimed 7 million homes, single-family rental properties rose to 13 percent of all U.S. housing, up from 9 percent in 2005, according to Moody's Analytics. Today many families and individuals who lost their homes in the housing collapse, and don't want to give up the lifestyle of "homeowners," are deciding the next reasonable

step is to rent. The single-family rental market is growing. With the housing collapse, a greater percentage of new households are renting rather than buying homes. This is due to most other rental properties, including apartments, being full, while new properties are not being built quick enough to fill the void. Investors are taking advantage of this opportunity to buy and rent out single-family homes. As the housing market continues to march toward recovery, REO agents are finding themselves with fewer REOs in their books, but their skill set may suit them well in the recently popular single-family rental market.

This month, we interviewed a FORCE agent who is thriving in the single-family rental market. Gigi Dales, a Mount Orab Ohio-based REO agent with Real Living Realty Service shared her experience: Is the rental investment market active in your area, or do you work mostly with traditional buyers? Yes, the rental market is active. I have several rentals myself. Most of my properties rent within 30 days. I also work with all kinds of buyers: traditional, investors, and renters. With the market changing all the time you have to learn to adapt, or you won't be in this business long. How does marketing an REO for rental investment differ from marketing REOs to a traditional buyer? Well, the first thing is getting the repairs complete to make the house livable for tenants. You have to get several bids. Everything has to be working as well, and all appliances are replaced. Because my company advertises on so many websites, the only thing I do is put them in MLS and put a sign that says for rent in the yard! You also become the property manager and need to go past the home after it is rented once a month, so your job never ends really!

Uncontested Market Space

The Single-Family Rental Market Is Ripe with Opportunity

AS REO INVENTORY CONTINUES TO DECLINE, EXPERIENCED REO AGENTS CAN LOOK TO THE SINGLE-FAMILY RENTAL MARKET FOR NEW OPPORTUNITIES THAT ALIGN PERFECTLY WITH THEIR SKILL SETS. WHILE MANY FORCE AGENTS EXPERIENCED BOOMING REO INVENTORIES FOLLOWING THE HOUSING BUST, THOSE INVENTORIES ARE DWINDLING IN MOST MARKETS ACROSS THE COUNTRY. HOWEVER, THERE'S A NEW MARKET IN TOWN FOR SEASONED REO AGENTS: THE SINGLE-FAMILY RENTAL MARKET. THE SKILLS NEEDED IN THE SINGLE-FAMILY RENTAL (SFR) MARKET ARE SIMILAR TO THOSE NEEDED IN THE REO MARKET, MAKING THIS A NEARLY SEAMLESS TRANSITION FOR DETERMINED AGENTS. GREG RAND, CEO OF OWNAMERICA, HAS EXTENSIVE EXPERIENCE IN THE SFR MARKET. THIS MONTH, HE SAT DOWN TO TELL US ABOUT THE VAST OPPORTUNITY IN THE SFR MARKET AND WHY HE THINKS FORCE AGENTS ARE THE PERFECT PROFESSIONALS TO FILL THE CURRENT VOID IN THIS SPACE.

How much opportunity is there for real estate agents in the single-family rental market, and do agents seem to be aware of the opportunities? I do not believe that they're aware. The industries that usually coach agents and reveal opportunities to agents have mostly ignored the SFR market. The opportunities there are enormous. Twelve percent of U.S. households live in rentals. The owners of those houses need broker services to help them acquire more properties or sell portfolios—sometimes of five or 10 properties, sometimes of 500 properties. The SFR market is a very big market segment, and not many agents are specializing in it.

Is this a market segment that is here to stay, or do you think it will start to taper off in coming years? The SFR market is a permanent, resilient market. It's been here forever. It's gone

up in the last few years, but it's been at least 10 percent of the market for the past 10 years. Since Wall Street got involved in buying tons of single-family rentals, we don't even have our arms around how big this market is now. About 25 percent of all home sales each year are investor transactions, according to the National Association of Realtors. That's a lot of volume, and nobody goes after this market. This is uncontested market space. Customers here are not being served.

Where is the SFR market most active? We're finding it everywhere, but it is especially active in larger markets that had a big impact from the foreclosure crisis. The top 15 SFR markets we've observed are: Charlotte, Atlanta, Jacksonville, Orlando, Tampa, Miami, Houston, Dallas, Austin, San Antonio, Nashville, Chicago, Phoenix, Las Vegas, and Southern California. These markets are very active, but we've even seen owners selling a portfolio of 75 houses in Macon, Georgia.

What should interested agents do to get their foot in the door in the SFR market? The first thing to do is to get trained. If it's not something you've done before, get trained. Then get equipped with the tools—technology—needed to perform the job, and then go hunting. This market intimidates some people, but there is technology that helps make it easier and more fun. At OwnAmerica, we've done thousands of transactions, and we believe anybody who has a desire to do this well can do it.

As REO inventory continues to decline, experienced REO agents can look to the single-family rental market for new opportunities that align perfectly with their skill sets.

Uncontested Market Space (Con't)

The Single-Family Rental Market Is Ripe with Opportunity

How can agents find customers in the SFR market? Going to events is a good way to meet people in this market. The Five Star is working very hard to attract investors to its conferences. There are also investor groups and attorney groups agents

can connect with. Otherwise, pound the pavement. We're doing direct mail and calling property management companies to ask if they have customers looking to sell 25 or more houses.

What makes agents with a lot of REO experience a good fit for this market? The FORCE is the perfect organization to take a dominant piece of this market. They're the best and brightest in the industry, and they already work with institutional clients. Working with SFRs is similar to working with REOs, but there are a couple differences. For example, agents have to learn to measure a yield on a single-family investment. There is an accepted method that institutional investors have perfected, so agents will need to learn that. They also have to learn to sell their market. Investors buying portfolios of houses in a particular market are essentially buying

that market. They're betting on continued prosperity for the city, so agents have to be able to represent their market and explain the fundamentals of the market—demographic shifts, population growth, and job growth. FORCE agents grew their businesses pretty drastically following the distressed housing crisis and this is the extension of that runway. Take advantage of your unique skills.

Can you tell FORCE agents a little about the training OwnAmerica offers? OwnAmerica is a private trading platform for SFR. Our broker/agent training has five components: basing housing economics, market analysis, property analysis, basic tax implications and financing options, and how to go out and capture listings and buyers in the SFR space—marketing, technology, social media, prospecting tools, and advice to get clientele.

Investors buying portfolios of houses in a particular market are essentially buying that market. They're betting on continued prosperity for the city, so agents have to be able to represent their market and explain the fundamentals of the market—demographic shifts, population growth, and job growth.

New Avenues

A Look at Commercial Real Estate

THE NEW YEAR MAY BE A NATURAL TIME TO LOOK AT EXPANDING YOUR BUSINESS OR TRANSITIONING INTO A NEW MARKET. THE COMMERCIAL MARKET IS RELATIVELY STRONG WITH PROJECTED VACANCIES IN RETAIL AND OFFICE SPACES, ACCORDING TO THE NATIONAL ASSOCIATION OF REALTORS (NAR), AND ACCORDING TO FORCE AGENT DICK THACKSTON, COMMERCIAL REAL ESTATE IS A GOOD FIT FOR AGENTS WITH REO EXPERIENCE. “COMMERCIAL REAL ESTATE CAN BE A NATURAL ADDITION OR TRANSITION IF YOU HAVE REO EXPERIENCE,” SAYS THACKSTON. “THE DISCIPLINE AND ORGANIZATION REQUIRED TO MANAGE REO ASSETS ARE THE SAME AS COMMERCIAL REAL ESTATE IN MANY WAYS.”

The Commercial Market

The commercial market is made up of large buildings—shopping malls, multi-story apartment buildings and office buildings—and small buildings—grocery stores, boutiques, etc. About 72 percent of commercial buildings are less than 10,000 square feet, according to the National Association of Realtors (NAR). “Commercial space is heavily concentrated in large buildings, but large buildings are a relatively small number of the overall stock of commercial buildings,” NAR reported earlier this year. Apartment buildings accounted for the greatest dollar volume of commercial sales in the first quarter of the year with \$38.6 billion, followed by office properties with \$31.2 billion, retail properties with \$17.9 billion, and industrial properties with \$12.6 billion, according to a report from NAR.

First Steps

One of the biggest differences in serving the commercial market as opposed to the residential market is the importance of the capitalization (cap) rate, according to Michael Santangelo of Robert DeFalco Realty. The cap rate is the ratio of net operating income to property asset value. “Try to get training from someone with experience,” Santangelo says. “The main thing is getting out there with someone that’s experienced.” Thackston recommends pursuing commercial real estate-oriented continuing education.

Finding Clients

“To get involved, like all real estate business, is a matter of putting yourself in front of people who need your help and having the skills sets to create value for your service,” Thackston says. His advice is, “Join the nearest Commercial Investment Board of Realtors in your market; most commercial boards are regional in scope and can be joined for the cost of local dues only if you already belong to a Residential Board.” Another great way to dig into the commercial real estate market is to join your local chamber of commerce. However, joining isn’t enough. Thackston recommends going to the meetings. He says, “This is where you will meet small business owners and investors who will look to you with questions.” Thackston also reminds agents that commercial real estate clients might be closer than they think. He recommends agents look at the investors that they have met over the last couple of years in REO to see how they’re doing and see who’s ready for you to take them to the next level of investing.

Another Niche for FORCE Agents

Transferring Your REO Skills to the Probate/Trust Market

AS THE HOUSING MARKET CONTINUES TO NORMALIZE, FORCE AGENTS ARE STARTING TO LEND THEIR UNIQUE SKILLSETS TO OTHER NICHE REAL ESTATE MARKETS. FORCE MEMBER JACK LEWITZ IS BRANCHING OUT INTO THE FIELD OF PROBATE, TRUSTS, AND PUBLIC GUARDIANSHIP. “AS WE ALL KNOW, THE REAL ESTATE MARKET IN MANY AREAS IS GETTING BACK TO NORMAL, AND THERE ARE FEWER SHORT SALES AND REO PROPERTIES ON THE MARKET,” SAYS JACK LEWITZ OF IL REAL ESTATE SPECIALISTS.

“So agents need to remarket themselves and use some of their skills to service other markets. One of those markets that has interested me is working with probate, trusts, and public guardianship.” About 55 percent of Americans die without a will or estate plan, according to the American Bar Association.

Without a will, their real estate goes into probate and must often require court confirmation to sell. While some real estate agents do not wish to deal with the extended timeline and sometimes complex process of selling a property through probate, FORCE agents already possess many of the skills needed to succeed in this niche.

A Natural Fit for FORCE Agents

Stepping into the world of probate and trust might require a little additional research, but FORCE agents experienced in the world of REO have already dealt with many of the issues that arise with these types of property

sales. “I feel Five Star agents are well qualified to work with estates, trust, and public guardianship clients, and I hope to pursue this as my own business plan,” Lewitz said. “Some of the issues that we as REO agents face on a daily basis are similar issues with estate sales,” he explained. “Many of the properties have deferred maintenance issues and may have multiple liens from real estate tax, city water, HOA, reverse mortgage, etc. These properties may also have title issues, executor, or family disputes if there were no wills designating transfer of ownership upon the owner’s death.” Agents who have worked with REO properties generally already have a list of vendors on hand to call for property maintenance and upkeep. They also have extensive experience dealing with title issues, second liens, HOAs, and reverse mortgages.

A Bird’s Eye View

Here’s a quick overview of probates, trusts, and public guardianship: **Probate**—“Probate is the formal legal process that gives recognition to a will and appoints the executor or personal representative who will administer the estate and distribute assets to the intended beneficiaries. The laws of each state vary,” according to the American Bar Association. Probate sales often require court confirmation and take a bit longer than a traditional sale. Generally, when a buyer makes an initial offer, it must be accompanied by a 10 percent deposit. If the seller accepts the offer, the court must then confirm it. A 30 to 45 day waiting period follows, during which the property is advertised at the price offered by the potential buyer. After this period, any interested parties must appear in court to bid on the property.

While some real estate agents do not wish to deal with the extended timeline and sometimes complex process of selling a property through probate, FORCE agents already possess many of the skills needed to succeed in this niche.

Another Niche for FORCE Agents (Con't)

Transferring Your REO Skills to the Probate/Trust Market

As with REOs, probate properties can take longer to sell and be a bit more complicated than a traditional sale, but for agents willing to put in the extra effort, there is a large volume of properties available. The probate niche is a vast and stable one.

Trust—A trust is “an arrangement whereby property is legally owned and managed by an individual or corporate fiduciary as trustee for the benefit of another, called a beneficiary, who is the equitable owner of the property,” according to the American Bar Association. The trustee is responsible for the property sale and property disclosures. Trust sales often take less time than a probate sale and function more like a traditional sale, though they also may face obstacles such as second liens, HOAs, etc.

Public Guardianship— Each state has an Office of Public Guardian to serve as guardians or conservators for incapacitated adults who do not have a family member or friend who is able to serve as their guardian or conservator. How to Get Started While training and certifications are available for agents hoping to specialize in probate and trust sales, none is required. “I believe no specific additional training would be necessary,” Lewitz said. Lewitz’s background in REOs, combined with his Master of Social Work degree, give him a unique set of skills to handle the logistical tasks of the sales, as well as helping him work with grieving families. “I have recently reached out to attorneys who do probate,

trust, estate law; and called the Cook County Public Guardians office to get more insight on the needs of the clients they serve,” Lewitz said. Forming relationships with title attorneys is a good place to start. Agents can research their local bar association to find real estate or probate and estate planning lawyers. Attending programs and events hosted by these groups is a great way to make contact and develop personal relationships with these attorneys, according to a webinar by Better Homes and Gardens/Mason-McDuffie. Another way to capture probate leads is to peruse newspaper listings and county courthouse records for probate files. Look to see if there is real estate involved, and then contact the executor. As with REOs, probate properties can take longer to sell and be a bit more complicated than a traditional sale, but for agents willing to put in the extra effort, there is a large volume of properties available. The probate niche is a vast and stable one.