

Real Life

Mike Holmes



Two years ago Mike Holmes, a businessman by day, began investing in lease-to-own real estate. Today he has 14 investment properties and \$3 million in assets, with a plan to own 25 in total. Andrea Loziuk caught up with Holmes to find out what he learned from his past mistakes

1 Research is key

One of the most important duties of an investor is the need for targeted market research, says Holmes. In the case of lease-to-own options, Holmes learned that finding the right tenants, reviewing the investment formula and picking the right location were essential.

“The biggest mistake of all is not taking the time to really analyze every aspect of the deal to ensure that it will go smoothly with no difficulties,” he says. “Taking the extra time before making or accepting a deal will save you money and grief in the long run.”

2 Good tenants make good company

Most of all for Holmes, tenants were the make or break factor in any one of his successful transactions. In his experience married or common law couples with steady dual incomes proved to be the best, simply because if one loses their job, the deal isn't immediately ruined. He also stays away from business-for-self (BSF) tenants whose income can fluctuate with the economy. “It only takes two or three bad apples to spoil the whole bushel,” he warns, referring to BSF tenants who haven't paid him in the past.

The most important thing though is that he's always learned from his mistakes. “It's not a bad thing to go through a bad tenant or a bad experience

in order to understand how to avoid it in the future,” he says. “If you don't know what problems could arise because you've never been through it, how do you avoid or fix them in the future?”

3 Choose your training wisely

Formal training before investing in the real estate market was a must for Holmes, but as he learned, you can spend a lot of money on fancy-sounding courses that don't offer much in the end.

“There are many courses out there but I wouldn't look at any that are U.S.-based,” he says. After spending close to \$14,000 on courses in the U.S. boasting a list of guest speakers like Donald Trump and Richard Branson, Holmes now prefers the more affordable Canadian options, specifically suggesting the Real Estate Investment Network (REIN)'s weekend courses.

After trying some free courses, Holmes suggests that it's worth paying if you know the quality is there. “Be careful of any courses that are free – they are free for a reason,” he says. For the budget-conscious, he says, heading to the local bookstore for some good advice is never a bad idea.

Ultimately though, Holmes says it was the hands-on experience that was the best way to train. “If you don't start doing deals you never will,” he says. “The theories don't do you any good unless you put them to practice.”

One theory he's always applied though has been to make money on the buy. “The money on any property is made on the buy, not the sell,” he says. “Don't get caught up in a bidding war. Focus on paying below or at market value for the property instead.”

4 You're only as good as your network

It wasn't until Holmes started buying properties that he realized the importance of a knowledgeable team working alongside him. A lawyer, insurance broker, bank manager and accountant all help Holmes manage his finances and reduce risk, not to mention that other investors have been great sources of knowledge and advice as well. What he's learned to be the most important is a good mortgage broker who can find the best rates. “If a broker doesn't get me an affordable mortgage, then it's done from the beginning,” he says.

He also learned to sell himself as a business to his personal acquaintances, which came in handy when he had a property in Fort McMurray become vacant. Happening to mention it to a colleague, it turned out they had a sister looking for a place to rent and then own. “Keep talking it up wherever you are and always have business cards ready to hand out,” he says.

5 Don't rush success

Holmes has found it much more difficult to make a substantial profit in a year or two, but instead suggests sitting on the property, remaining patient, and watching the returns grow over five to 10 years.

“Most money in real estate is made over several years with the buy-and-hold strategy.” ■