Bonus Handout: Insights from a Veteran Investor

You can't be an "expert" unless you know what you're doing and can do it again. Duplication matters.

—Todd Millar

Background

Todd and Danielle Millar have been investing in real estate since 2001. Then in their late twenties, they bought their first revenue properties while they were living abroad and teaching English. Based in Japan, the two saw investment real estate as a good place to park—and grow—the money they'd worked so hard to make in Japan. "We knew we'd come back to Canada some day, and we didn't necessarily want to have to work for someone else. Real estate investment gave us a way to control part of our financial destiny," explains Todd.

Now living in Edmonton and expecting their second baby, the Millars figure their portfolio has, over time, held more than 64 doors in over 52 buildings. Their current portfolio includes more than 15 partners, including some couples and investment groups. All of their properties are now located in Edmonton, where Danielle oversees property management under a sister firm.

"Self-managing such a large portfolio is counterintuitive to what a lot of sophisticated real estate investors do," admits Todd. "But prior to this, we were overseeing our holdings from Japan. Once we moved back, it made sense to consolidate our resources and establish the property management standards that will be used to groom someone we can hire to manage these properties down the road." Self-managing their properties, which are currently all based in Edmonton, also helps the couple prepare exit strategies for their maturing portfolio.

Having weathered the global economic downturn triggered by the sub-prime mortgage fiasco in the United States, the Millars admit their current investment strategy is considerably more conservative than in past years. But a more conservative approach doesn't mean their portfolio will be standing still. In 2011, Todd and Danielle anticipate buying four multi-family properties with two or three JV partners. "More partners and more doors aren't necessarily a recipe for more freedom. We want to make sure we're buying the right properties with the right partners and hiring the right people to help us manage the business. When you feel pressure to do 'more,' you're more likely to make mistakes, too," notes Todd.

The shift toward a more conservative buying strategy also makes sense in light of their portfolio's size and the fact that they've decided to self-manage their holdings. "We still like JVs, but tough economic times mean you have to be more mindful of what you're doing. It's kind of like farming; if you're not there making sure the crops are seeded, managed and harvested correctly, you compromise your opportunities for success," says Todd.

The couple is quick to credit REIN membership for providing them with a solid foundation in the real estate investment business. They joined the organization in 2004, a few years after they bought their first investment properties in Winnipeg and Hamilton. Although Todd never attended a live meeting until after they moved back to Canada in 2010, he's grateful for information REIN regularly delivered via CDs.

Below, Todd offers his insights on why systems, follow-through and duplication are so important to their portfolio's success.

Systems Keep Your Business on Track

Systems give you a way of doing things. We follow those systems over and over because they provide structure to our real estate investment business. That doesn't mean we're not open to change. We fine-tune our systems all the time. But we don't second-guess them.

Take the recent recession as an example. It impacted our portfolio, but we didn't pull up stakes or bury our heads in the sand and wait for the market to shift. Instead, we went back to basics. We may have let some "details" slide when every property was cash-flowing and property values were always rising. Now that we're living in the same city as our properties are located, we've rolled up our sleeves to make sure our portfolio continues to perform the way it should. A recession sharpens everything from tenancy to maintenance and repairs. It's not enough to trim the fat; you have to know exactly what that means and where to cut.

Be the Market Expert

We started investing while living in Japan, and we could have invested anywhere in the world. Our first properties were in Hamilton and Winnipeg because we knew something about the economic fundamentals of those cities. Over time, we learned more about the value of being an "expert" on a particular market. That prompted us to focus all of our energy on Edmonton. Regardless of where our investors were from, our JV deals had a geographic foundation and our knowledge of the Edmonton market's fundamentals helped us attract money partners.

Be a Student of Joint Ventures

To be a student of JV investing, we focus on two things: the right deals and the right people.

The deals

We used our own money to finance our first deals, but I like JVs and have put together a lot of joint-venture deals. Once you start investing with other people's money, you've got to up your game. That's easier if you know what you're doing, so seek help early and often.

Remember, too, that a good Joint-Venture Agreement outlines what happens at every step along the way. Some potential JV partners may be scared off when you start talking about what the JV agreement says will happen in the event of future deaths, divorces or insolvencies. That can turn all of the sweet talk about a deal sour, very fast.

Depending on where the angst about these issues comes from, that may tell me that a JV deal is not for them. Unless those issues are dealt with, it also tells me that I probably shouldn't pursue a JV deal with this partner.

More than anything, I think both parties of a JV investment have to be committed to doing what the JV Agreement says you are going to do. That's always been very important to us, but it's not always easy and there have been times when we've changed the long-term plans for a property to help a partner who's dealing with a significant life issue. We do that because our relationship with these people goes beyond the paper a JV Agreement is written on.

I also tell new JV investors to be realistic. A detailed JV Agreement doesn't just spell out what happens if something bad happens to your money partner. It also spells out what happens if something changes in your life.

The people

We've always taken our responsibilities as the "real estate experts" very seriously. A lot of our co-venturers come to us through word-of-mouth referrals, so they already know what we do and how we work with our partners to generate long-term wealth. In the early days, we worked with some individuals who we wouldn't work with now. That's a factor of how our business has evolved with time and experience.

The problems we've encountered have typically revolved around different expectations. That's taught us to be very clear about how real estate investment works and how it works with JV partners. Moving forward, we're definitely more careful to choose partners who share our expectations. When your message is clear and consistent, it's easier to avoid problems.

I am pleased to say that our JV partners have never regretted their dealings with us and we are grateful for what their trust has allowed us to build. Right now we're working even harder to make sure that doesn't change. We're open to new JV partners—and we remain committed to serving our long-time investors as well.

Actions Speak Louder than Words

Good news travels fast and bad news travels even faster. That's life. Danielle and I do what we say we're going to do. And we don't make our joint-venture partners pay for our mistakes. It bothers us when we hear about investors who've walked away from deals with joint-venture partners. This is our business and we want every one of our deals to help us secure the next one.