

# Real estate tuition

Successful investor *Joe Ragona* looks back and reflects on a vital learning experience

**Q** What was the first investment property you acquired?

**A** In June 2008, I purchased a three-bedroom, two-bath, fully detached home with a completed basement living area in Barrie, Ont. for \$247,900.

**What led you to buy that specific property?**

My original investment focus was rent-to-own acquisitions. I used the tenant-first strategy so this property was chosen by my clients. Although it was priced higher than what I was normally analyzing, I was still interested in proceeding because of the location and the fact I was able to 'predict' my return in three years.

**What's the status of the property now?**

It has been sold. In October 2009, after a lengthy challenge with the tenant/buyers (non-payment, multiple Landlord and Tenant Board meetings), I eventually evicted them to look for a new RTO client. The property sat vacant for six months before I was able to take advantage of the false market boom in April 2010 to sell for \$270,000. I didn't make any money on the deal, nor did I lose.

I look at this as my 'tuition' into real estate investing.

**What was your next step as an investor?**

To acquire properties that only fit my system – I focused on townhomes under 225k that would attract young families or eager professionals and purchased two in September and November 2008 and two more in March and November 2009. When I was starting to build my portfolio, a lot of investors were doing nothing because of the uncertainty of the economic downturns, but it was through this time I bought my best performing assets.

**What made you decide to become a real estate investor?**

I found myself at the head of the family business in 2003 after more than 20 years in the music industry and being an entrepreneur my whole life. In less than 24 months I wanted out of this 'corporate' structure, so I stepped down from the daily operation in 2005 to run the company from the background while searching for another way to create our freedom. The company owned the two commercial units and I thought if I took control of them, it would be a perfect way for me to get back to being an entrepreneur. For two years, I read real estate books,

attended seminars and finally settled with the Real Estate Investment Network (REIN) in 2007. At the same time, I officially sold my interest in the company taking ownership units as part of my 'payout' for a source of income. The next step was to face fear and use up our home equity to buy our first investment properties. We have never looked back.

**Did you come to the decision by yourself?**

For the most part yes, but choosing to give up my family company was a mutual decision between my wife and me. She is my partner in everything I do, supports whatever decision I make, but it was very important to have her on board with what the initial few years of learning a new career in real estate investing would be like. She ultimately gave me the freedom to pursue investing while she carried the load for the first two years.

**In a nutshell, what's your investment strategy?**

I focus on two key areas of Ontario – Kitchener-Waterloo-Cambridge and Barrie. I purchase specific quality single-family townhomes to attract a tenant profile I am comfortable working with, focusing on first-rate customer service to reduce vacancies. This helps build my equity



Purchased for  
\$247,900 in 2008

while I tweak my system and study other strategies of real estate investing I want to explore later on such as multi-family. I have a five-year buy-and-hold plan in effect which is to put me in a refinance position to recycle my original capital and continue adding to my assets. I have also moved into the second phase of my plan introducing joint-venture partners to help others build their own wealth alongside me.

#### **What were the biggest lessons learned from your first property experience?**

To make sure you do all your due diligence and proper analyzing. I got caught up in the emotion of the buy and overlooked many red flags I knew were important. Because rent to own

is a specialized area, I thought I was a genius having done one so quickly. So by not analyzing the property correctly, it cost me time, energy and money to carry it during the time the tenants did not pay as well as the six months after eviction. The upside is that I learned in six months what may take other investors two or three years.

#### **What did you find was the hardest part about real estate investment?**

Putting a solid system in place and planning my portfolio. I see many investors just go out and start buying without any real understanding of why they are buying or what real estate is to provide them. Every strategy and deal will look good if you do not have a plan to follow and that just leads

to confusion and more work. In all my businesses I ignored the 'business plan' and eventually found myself drifting so I wanted to correct this mistake and do it right with real estate.

#### **Do you have any real estate investment goals going forward?**

Yes, first part is to have my wife pursue her own business and have total freedom, which is not far off. We will add more assets building our portfolio personally and with joint-venture partners to have sustainable cash flow of about \$10,000 per month. Our ultimate goal is to be able to help the organizations and charities close to our hearts unconditionally while we continue to live a stress-free lifestyle pursuing our passions.

#### **What advice would you give newcomers to the property investment industry?**

Be a regional specialist. There are deals everywhere but when you focus on one specific area you can find deals that fit your system. You will eliminate the constant research needed to buy in other areas just because there are 'good prices.' Once you are an expert, use your time to work on your business and learn alternate buying strategies that will get you to your ultimate goal. And, as I mentioned, make sure you create that plan first and don't get stuck in analysis paralysis – if the numbers work then step in and buy. Mistakes will happen, but you need to be engaged rather than sitting on the sidelines waiting for the absolute perfect time. 🏠