

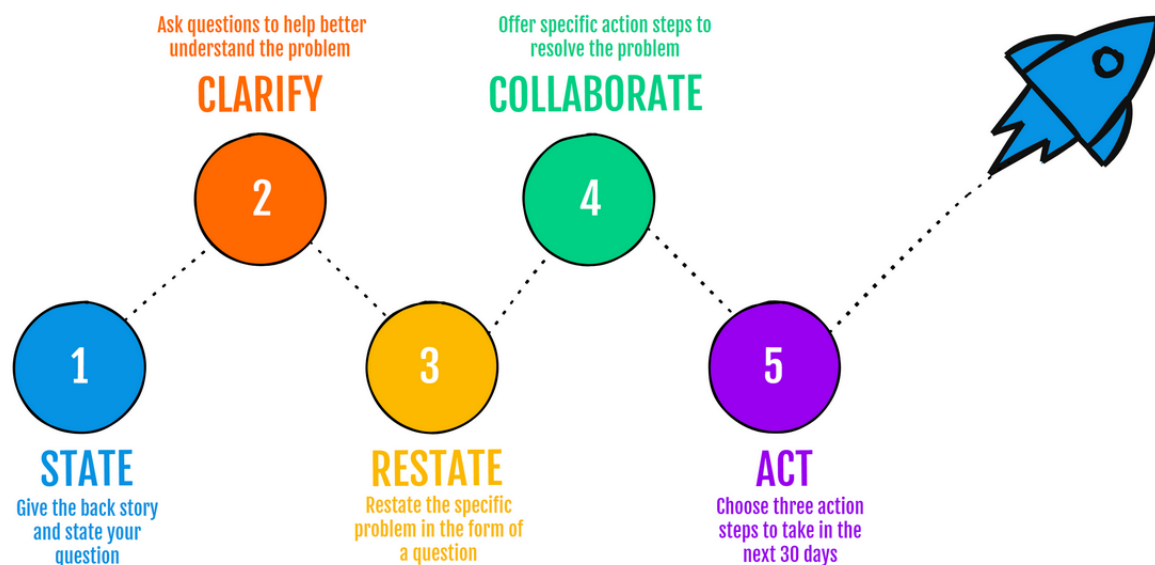


“Getting Unstuck” Monthly Meetup

with Mitch Parmasar

May 2024

In this month’s Monthly Meetup, the focus was on "Getting Unstuck," and the session revolved around a real estate investment dilemma faced by a participant named Naila Zafar.



Naila’s case study:

Naila purchased a pre-construction condominium and once complete, she decided to rent out the unit. At that time, she was seeing a little bit of cash flow. With the increases in inflation, interest payments, and mismanagement of finances from the condo board, she’s now negatively cash flowing by a substantial amount.

State

“Do I unload this property and cut my losses?”

Clarify

- Are you charging market rents right now?
- What are your monthly expenses and revenues?
- Did you calculate extending the mortgage over a longer period of time to lower the monthly payments?
- Is the market where the condo is located such where you could sell it and either break even or make a profit?

Restate

“Should I sell this property considering the increased cost which is causing negative monthly cash flow?”

Collaborate

The discussion involved various participants sharing their insights and recommendations to help Naila navigate her situation effectively. Throughout the discussion, the emotional and financial burden of Naila's investment property was evident, with the monthly expenses outweighing the rental income, leading to sleepless nights. The property is in Toronto, and the increasing mortgage rates and maintenance fees were contributing to her financial strain. Furthermore, the mismanagement of the condominium board and the lack of control over potential future assessments added to the uncertainty.

Several suggestions were put forward by the participants to help Naila address her predicament. Some participants recommended exploring options such as selling the property and reinvesting elsewhere, leveraging the property's equity through a HELOC, increasing the rent to market value or exploring rent-to-own agreements, and extending the mortgage amortization to lower monthly payments. Others proposed strategies for better understanding the condominium corporation's financials, negotiating with the tenant, considering different rental strategies, and treating the property as a business.

Furthermore, participants emphasized the importance of aligning Naila's decision with her goals and personal well-being. Suggestions included evaluating the potential for future property value appreciation, ensuring a strong plan for utilizing any funds from the property sale, and considering the impact of the property's location on rental strategies. The discussion also highlighted the need for Naila to have a clear plan for any potential proceeds from the property sale, in order to avoid loss of value due to inactivity.

Act

Overall, the comprehensive discussion provided Naila with a range of perspectives and actionable recommendations to consider when addressing her investment property dilemma, which include:

- Meet with the tenant to see if the rent can be increased
- Build her team to help gain different perspectives: accountant, realtor, and mortgage broker
- Get more educated on real estate investing