



# A Look into the Mind of the Individual Investor

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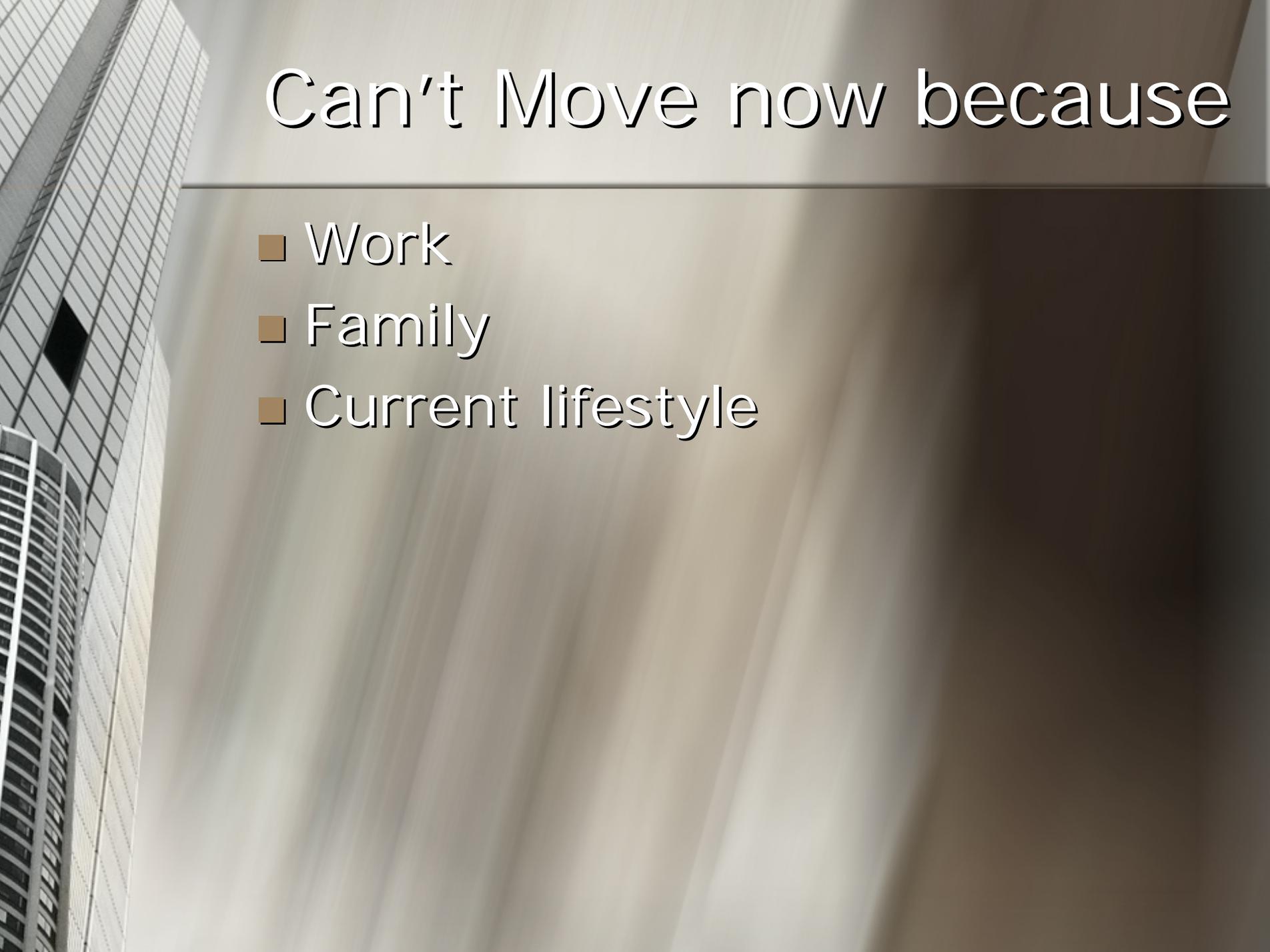
# 3 Types of Investors

- Those looking for a place to retire to.
- Those looking for appreciation.
- Those looking for annual cash flow.



# Retirement as Goal

- Looking for a place to retire to
  - Could be down town Vancouver
    - Luxury hire rise
  - Could be resort or destination area
    - Okanagan



# Can't Move now because

- Work
- Family
- Current lifestyle

# But at some point

- The kids will move out (hopefully)
- Lifestyle expectations will change
- Will be considering retirement

# An Example

- In 1990 bought a home in Vancouver for \$600,000
- In 2000 bought a Condo downtown for \$250,000
- Rent out the condo to cover expenses only

# Example continued

- In 2020 sell their now debt free home for \$2,600,000 (assuming 5% annual appreciation) tax free
- Move into their Condo (now worth \$665,000)
- Are debt free (no mortgages)
- At 5% earn \$130,000 on their \$2,600,000

# What's it to us

- Their unit is probably larger than traditional rental stock
- Their rent is probably the same or lower than ours (certainly lower on a sq ft basis)
- In a recession, they probably will not sell but will be quick to lower their rent.
- They are direct competition to us

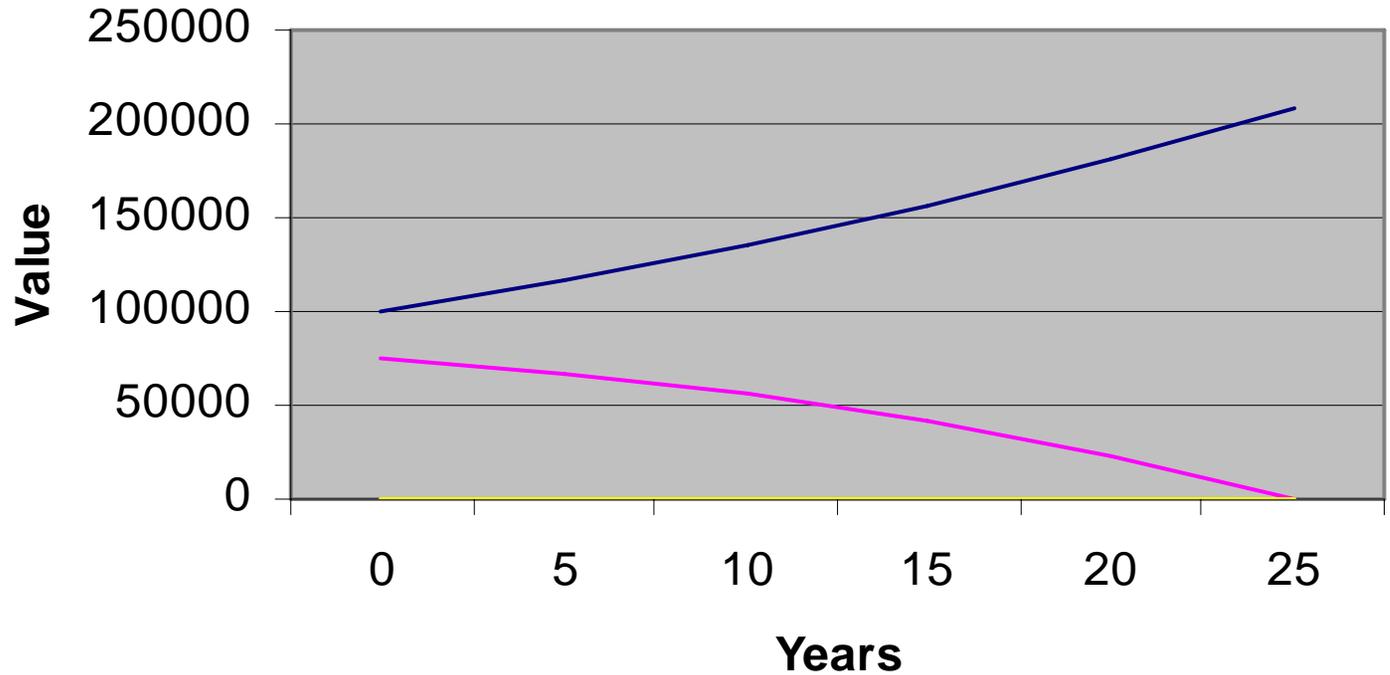


# Appreciation as Goal

- Similar to those looking for a retirement home except
  - They won't ever be moving into it
  - They may leverage their unit more
  - They may own more than one unit
  - Their units will be similar in size etc. to traditional rental stock

# An example

## Appreciation over 25 years



# What does this mean

- They are more susceptible to market changes
  - Will lower rents quickly to keep tenants (either 100% occupied or 100% vacant)
  - Will sell if equity position gets eroded
  - Will be sellers in the future to cash in on appreciation

# What's it to us

- Again they will lead to rush to lower rents in a downturn
- Possible over supply of accommodation when decision made to sell (particularly in a downturn)

# Cash Flow as Goal

- They are comparing cash flow on real estate to interest earned in a bank
- View real estate as only marginal increase in risk to bank or bonds
- View real estate as significant lower risk to the stock market
- See the benefits of CCA to shelter income
- Will look at syndicates to diversify risk



# So....

- This type investor
  - Has a long term outlook on their real estate holdings
  - Are looking to push their rents to full potential
  - Are looking to minimize costs
  - Are looking to minimize risk



# In Short

- They're just like us folks!