



# Targeted investing

For Rashad Aumeerally, sound investing starts with finding the right property in just the right location. CRE editor *Sean Deasy* explains

**N**ever buy a bad house on a good block. It's a common refrain long heard by first-time home buyers all across Canada. Most people listen. But still others, like Rashad Aumeerally, actually become savvy investors by building their real estate portfolios on that very strategy: upgrading somewhat marginal properties in relatively more upscale neighbourhoods.



## Starting out

Just south of Ottawa's downtown core is one of its oldest and most esteemed residential neighbourhoods, the Glebe. It's a tree-lined grid of streets dotted with mansions, international embassies and some of the oldest money in the Nation's Capital. It's also where, five years ago, Rashad Aumeerally, then in his late 20s, actually managed to embark on a lucrative property investment career.

A graduate of the University of New Brunswick, Aumeerally had arrived in Ottawa in 2001 from Campbellton, N.B., where his parents still reside, to pursue a career in the pharmaceutical industry. Like many neophyte investors, he was renter with little inclination toward property investment when the real estate bug bit.

"I was renting at the time and looking around for another place to rent. I had a great two-bedroom apartment on Park Ave. near the prestigious Elgin Street corridor (known as the Golden Triangle) with heated underground parking and a great balcony. But in the end I was only making my landlord wealthy and had nothing to show for it."

Aumeerally may have had no prior knowledge of real estate but says he always knew he wanted to own real estate. A lot of it.

He certainly comes by his investment appetite naturally. His late grandfather, who hailed from Mauritius, set the family course when he first came to Canada back in the 1950s. He began by purchasing large parcels of land and then subdividing it into smaller pieces and selling it for a significant profit.



## AUMEERALLY'S TOP 5 TIPS

- 1. Build a great team. From real estate agents, mortgage specialists, real estate lawyers, accountants to contractors. Surround yourself with the best and learn from them to make educated decisions.**
- 2. Get educated. Join local and/or national real estate networks. Many people in these clubs follow a system that makes them successful. Find a mentor and learn from them.**
- 3. Take action. Don't wait to invest in Real Estate. Invest in real estate and wait. Use your education and leverage your team's resources and start buying real estate. It's very hard to find the perfect property and very easy to talk yourself out actually buying an investment property. By taking action, this process gets easier and brings you closer to your goals.**
- 4. Set goals. Set both short term and long term goals and, most importantly, be accountable for them.**
- 5. Have fun.**

The next generation was no less industrious. Aumeerally's uncle's investment and development company, the aptly named Mentor Properties, launched in 1985 with the purpose of helping people achieve their financial goals through real estate. It has now grown exponentially, having bought and sold hundreds of millions of dollars' worth of real estate across Canada and the U.S.

Aumerrally's own modest start was nearly inadvertent: his first property target was actually only for rent when he first encountered it.

"I saw the ad, called the number and they said it was \$1,100 for a two-bedroom apartment," he recalls of the semi-detached triplex in the Glebe. He initially passed on the unit, and a year went by before he found it up for sale. It was then that he saw the property in a whole new light. He saw its potential. "I figured if I could get the down payment, I could rent out the top floor and the basement apartments. And that could be my real start in real estate investment."

The property was listed at \$337,000. Needing just the 10% down payment, as he was going to be residing in one of the units, Aumeerally decided to explore his options. He managed to secure the necessary funds through a registered retirement savings plan (RRSP) loan and by liquidating various savings for the down payment.

No real problems there. Next up was bolstering the property's appeal and drawing the right tenants to help leverage his investment. "The place needed some work, so I got the roof done, spruced up the floors and painted (the units)." If the solid address and value were the bait, the Internet was the lure for renters: he posted the rental units on Craigslist and Kijiji and had 20 people at his door in no time. Both vacancies were snapped up in August and September of 2006.

Five years later, his handywork on the smart red-brick triplex remains a seamless part of the rather prestigious O'Connor Street. As he shows off the building, it's evident that his care for it is reflected in the right choice of tenants: it's an impressively well-kept and orderly property. Aumeerally's even left his own high-end patio furniture behind (his primary residence is just around the corner) for the main floor's elevated cedar deck in the backyard.

He clearly understands that happy tenants are part of the equation – it has become a cornerstone of his strategy. But he sees that first purchase as a vital learning experience. "I did not have a clue about what I was getting myself into at the time. All I knew was that I was wasting my money on rent and I could own my own piece of real estate in a better location. With the help of my tenants I was only paying half of what I was paying in rent and I actually owned the property."

### Surging on

In 2009, three years after his initial purchase, Aumeerally was prepared for his

next property investment step: he began to explore other properties nearby. He knew he wanted to stay in the immediate vicinity, as it sits on the northern edge of the Glebe, within walking distance of the downtown core (with its government and business sectors) and just one block from the city's only major east-west artery, the Queensway. It's also close to the midway point between the city's two universities, Carleton University and the University of Ottawa, without falling into either campus' less than savoury student ghetto.

He felt he had the right location, but it wasn't until he talked to a mortgage broker that he realized his next step was even possible. He was able to see how leveraging equity from his initial purchase would make it happen. "On my next two purchases I used the equity appreciation on my first property; selling some investment stocks along with a Vendor Take-Back (VTB) mortgage." The VTB, in which the seller offers to lend funds to the buyer to help facilitate the purchase of the property (and typically represents a secondary lien on the property), allowed Aumeerally to purchase property valued above his traditional financing limits. It was a strategy that enabled him to continue hunting in the upscale Glebe, the cornerstone of his portfolio.

It's paid off. In just five years the 33-year-old has no fewer than eight apartment units (two triplexes and a single-family home with an ensuite) and, having left his career in pharmaceuticals behind for several years now, is now a full-time real estate investor/developer, and has just recently incorporated his business.

### Strategy

Like anyone who has investing in their blood and success under their belt, Aumeerally now believes that real estate is the one true form of investment. "Real estate

is something tangible - something that you can see and touch, unlike stocks," he says. "Nine of 10 millionaires are created or sustain their wealth through real estate. With real estate investing you can generate wealth by multiple ways: cash flow, asset appreciation, allowable asset depreciation, tax benefits and leverage."

Aumeerally's preferred technique, where he has found greatest success, he says, is investing in multi-family units with a buy-and-hold approach for long-term wealth creation. "Purchasing properties for cash flow and appreciation in the best locations (in and around) a city's downtown core – that's where I target." In Ottawa, Aumeerally has subsequently expanded beyond the Glebe to the Golden Triangle, Westboro and even into New Edinburgh (close to the Governor General's and the Prime Minister's residences).

He says he now appreciates the importance of the effective marketing of a property to prospective tenants, and how to develop property to increase cash flow and increase appreciation. And how everything hinges on location, above all.

"I truly believe whether it is real estate investing in multi-family or land development, location is always the critical factor. I like to buy 'B' class buildings in 'A' class area and/or 'C' class building in 'B' class areas. I can then develop these properties to above standards of that particular area and dramatically increase the value of the property."

### Always learning

Other than learning through experience Aumeerally had no formal training in real estate until lately.

His outlook has changed markedly since he got into property investing. "I used to think that investing in real estate was only for the wealthy. And now my mentality has

PROPERTY TYPE	LOCATION	CURRENT USE	SQ FT	PURCHASE PRICE	TOTAL INVESTMENT	PURCHASE DATE	RENOVATIONS	RENT	VALUE	ROI	CASH FLOW
Triplex	Ottawa	Multi	2500	\$337,000.00	\$52,600.00	Aug-06	\$15,000	\$3,735.00	\$725,000.00	737%	\$1,914.00
Triplex	Ottawa	Multi	3900	\$579,000.00	\$82,300.00	May-09	\$24,400.00	\$4,335.00	\$835,000.00	311%	\$1,114.00
Single+ensuite	Ottawa	residential	3000	\$579,000.00	\$86,900.00	May-09	\$29,000	\$1,095.00	\$700,000.00	766%	\$1,095.00
6 Plex (to Close in late 2011)	Ottawa	Multi	6000	\$825,000.00	TBD	TBD	TBD	\$5,250.00	\$845,000.00	TBD	TBD




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now changed so much. Now I believe the only way to truly become wealthy is through investing in real estate.”

Thus he now considers himself a student of the real estate industry. “I want to learn as much as I can from anything and anyone that can help me make informed discussion during my next property purchase and grow by business,” he says. “I think the more knowledge you can have, the less risk an investor will have.”

He accredits most of his recent knowledge to a variety of educational resources. In addition to his subscription to *Canadian Real Estate Magazine*, he’s been consuming multiple real estate books such as *The Art of the Deal* by Donald Trump, and *Making Money in Real Estate* by Douglas Gray, and has recently joined top property investment networks like the Real Estate Investment

Network Canada and the Ottawa Real Estate Investors Organization.

He also makes it a point to attend top real estate investment events - like the *Canadian Real Estate* magazine’s InvestorForum 2011 in March, and the most recent Real Estate Investors Network’s Multi-Family Investing Program. He finds networking and surrounding himself with top local industry professionals both stimulating and rewarding.

### Future plans

In the next few months, Aumeerally’s looking to purchase his first six-unit apartment building. Also in the works: the acquisition of several 20+ unit apartment buildings in the Ottawa area with joint-venture partners. It’s all part of a master plan.

“My future plans are to grow my real estate investing/development company

through the acquisition of larger commercial multi-family apartment buildings by working with joint-venture partners,” he says. “Developing high quality contemporary homes in the best locations of the downtown core with top builders and architects in the city. And then on to condo developments by joint venturing with top developers from Toronto and Ottawa.”

For land development, his plan is to build high-quality single-family homes with a more contemporary design in and near the best locations of the downtown core.

Though his sights are set higher and further afield than his modest beginnings, Aumeerally still sees Ottawa – and Centretown, adjacent to the Glebe, in particular – as an area well worth revisiting. “Ottawa is on the cusp of a condo boom and I think this will continue in the future.” ■