

The rain had been coming down for what seemed like hours. I have always loved the rain – I can watch it for hours, but I hate being out in it. Anyway, a day before I got a call from a guy who said he had found me online and wanted to learn how to be an investor. I made an appointment to meet with him and he showed up at the exact time, but drenched from the rain.

I started the interview asking if he had brought a lot of questions because I prefer if people interview me. This makes sure we cover what nagging questions the other person has that I may not have thought about. He said he had lots of questions but found himself almost at a loss for words. To try to make him more comfortable, I started questioning him about where he had come from and what he had done in the past.

He had just come to our state from the Carolinas where he was a fulltime investor. He came to America with backing from his native country to buy and sell real estate. Because of the instability of so many foreign countries, America is still a “safer” haven for money than his country of origin. He went on to explain he rehabbed but never touched anything himself. He had crews to do the work and even a project manager to make sure things got done. I thought, “Nice” and whatever works for him.

I listened about his various exploits and his perception of our area. It sounded like we were in the Wild West and he had just come from heaven. He went on to explain how you couldn't do the things in the Carolinas that we did here. He was very specific about getting out of a contract before the closing. I questioned him about this and he said that a Realtor® had told him that he could not cancel a contract during the inspection period because it was against the law. I couldn't believe it! I probed further and apparently, this Realtor® he worked with had really made him believe this.

I think they call this the “Stockholm Syndrome” - where a hostage is brainwashed for so long, he actually flips over to his captors' point of view – Patty Hirsch might be a good example. This investor had no frame of reference other than his “captor” and he blindly believed this “authority” figure. He was only told what was in the best interest of the Realtor®, which is good salesmanship but not in the interests of the investor.

The investor went on to explain how he found out that wholesalers in our area put properties under contract and sold them before closing. These rogue investors (in his mind) then don't close if they don't have a buyer. He felt that was illegal according to his experience in North Carolina. He even went on to say he had been tracking some of these wholesalers' deals and he saw that they were listed on the Multiple Listing Service® (MLS®) for less money.

He asked me how people could be so stupid to buy properties that are currently listed, say at \$70,000, for \$90,000. I explained that some new investors don't do their homework. These people are so excited about getting a deal that they are blind to common sense. I also explained that just because a Realtor® gives law lessons, it doesn't make him an attorney.

I also asked how he did on his rehabs and he answered he did “OK”. I don't like only “OK” answers because it usually means the investor received an expensive learning experience and is glad to get out of the property. Undaunted, he is looking for the next deal but hasn't got a clue what his real problem is. Some investors lose everything they have on their first rehab. Some, like this front man for foreign investors, don't have to worry; he just goes back to his native country and raises more money.

Foreign investors want properties that have cash flow. Some are comfortable with 6% to 8% yields and others want 12% plus. These investors get a multiple play buying properties in America. They first get the dollar differential and the leverage as the dollar moves higher against their currency when they finally decide to sell. Secondly, they get a cash flow on funds that would have otherwise yielded 1% or less in their native country. The inflation rate here is substantially lower than many foreign countries – another advantage to preserve principal. Finally, they are buying single family homes (SFHs) that have much greater price appreciation potential than multi-family units.

I suggest you find these international buyers as soon as you understand how to raise private money and you have some experience of buying homes or using another wholesaler's list to find deals. Go get them cowboys!

To your limitless success,  
Dave Dinkel

PS – Student sent me the following article today. It says a lot about the reality of the marketplace and the reliability of data provided by a bias source. Oops! I hate to say it, but “I told you so.”

## **Realtors: “We Over counted Home Sales for Five Years”**

Data on sales of previously owned U.S. homes from 2007 through October this year will be revised down next week because of double counting, indicating a much weaker housing market than previously thought.

The National Association of Realtors said a benchmarking exercise had revealed that some properties were listed more than once, and in some instances, new home sales were also captured.

"All the sales and inventory data that have been reported since January 2007 are being downwardly revised. Sales were weaker than people thought," NAR spokesman Walter Malony told Reuters.

"We're capturing some new home data that should have been filtered out and we also discovered that some properties were being listed in more than one list."

The benchmark revisions will be published next Wednesday and will not affect house prices.

Early this year, the Realtors group was accused of over counting existing homes sales, with California-based real estate analysis firm CoreLogic claiming sales could have been overstated by as much as 20 percent.

At the time, the NAR said it was consulting with a range of experts to determine whether there was a drift in its monthly existing home sales data and that any drift would be "relatively minor."

The depressed housing market is one of the key obstacles to strong economic growth and an oversupply of unsold homes on the market continues to stifle the sector.

Malony said the Realtors group had developed a new model that would allow frequent benchmarking instead of waiting 10 years for the population Census data to revise their figures.

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