



## NATIONAL TENANT NETWORK

1. It takes a special kind of courage to pour your money into investments in an economically depressed area. Most people, including me, aren't that brave. So if you live in a part of the country where people aren't doing that well, you'll probably find better properties elsewhere. On the other hand, there are special risks involved in real estate investments far from your home.

2. If you decide to look for investments elsewhere, your first problem is finding the right area. Your second task is to learn the area well enough to make a smart buying decision. Finally, you have to pick the right property or properties for you. You only have so much money to spend, and you want to maximize your return on investment. Of course, the worst possibility is that you could lose all your money, or more (which would mean filing bankruptcy).

3. There seem to be two ways to do long-distance real estate investing. The first way, which I don't recommend, is by talking to a salesman marketing investments in what he says are a hot area. It's possible that some of these are good deals. I guarantee that many of them are terrible. In any case, it makes a lot more sense to be methodical; pick your area first, your city next, your property last.

4. There are also a couple of different ways to pick your area, and as usual, the harder way will give better results. The easy way is to find a newspaper story: "Hottest Real Estate Markets in America." The problem with these areas is that they are usually at the halfway point, at least, of their growth trend. They may be near the peak of their growth trend; the next few years will bring a stable real estate market at best, or a declining market at worst.

5. The harder way is to look for job growth, which is a leading indicator of real estate investment growth. Put another way, when a lot of people in any area begin working, they all need housing, and as the local economy snowballs, the price of that housing goes up. If you are invested in that area, your rents will go up, and when you sell, you'll get a much higher price for your property.

6. In addition, job growth trends take years to develop. An area that starts booming in, say, 2007, will almost certainly be booming through 2011. That means that if you buy in 2008, you can count on rents, and the value of your properties, going up at a faster rate than usual for at least three more years.

7. You can start with newspaper web sites, but I really like the site for the US government's Bureau of Labor Statistics. Every month they publish information on how the economy is doing in every metro area, and unlike other government studies, this information is current; no more than a couple of months old. Check their press releases for eye-catching numbers and their Economy at a Glance area for a complete picture.

8. While you're on the BLS web site, don't pay too much attention to the changes from one particular month to the next. The economy is too volatile for those month-to-month changes to be useful. You're looking at trends for three months, six months, or a year.

9. The key numbers are the total number of people employed, the overall unemployment rate, and the wage growth. Clearly you want the first and third numbers to be increasing (or at least be better than the national average), and the second number to be decreasing (or be lower than the national average). These are all signs of a healthy regional economy.

10. Use your time on the BLS web site to identify 25 of the most promising metropolitan areas (there are more than 300). Then, continue your research with the following methods: • Do Google searches to find stories about employment changes and trends in

those areas, as well as housing changes and trends in those areas. For example, if you are interested in the area around Anniston, Alabama, you could Google "Anniston employment", "Anniston housing", "Anniston layoffs", "Anniston population" and so on. You're looking for big stories here. Suppose Anniston's unemployment rate is just 3%, but you find a recent story that a big employer is laying off 10,000 workers. You should then move Anniston, if not off your list, down it.

- Get in touch with the local Chamber of Commerce and find out what they think is happening. Use your BS detector here, because Chamber staffers are paid to be optimistic. Identify yourself as an investor from wherever you live, interested in learning more about the area.

- Do some cursory web searches for real estate in the area. Realtor.com is a great place to start here; even if you don't eventually buy through a Realtor®, you can still get an idea as to what kinds of properties are available and for how much. For larger properties, Google for a local real estate broker specializing in commercial property.

11. Having done all this, you should be able to group your preferred areas into the top eight or nine, the next group, and the worst group. At this point, it's perfectly okay to bring in some other considerations. Is one of the preferred areas closer to your home? A place you might think about retiring to someday? A place that seems nice to visit? Go ahead and move it up the list.

12. Now you want to take your top eight or nine areas and do a lot of research on them. The Internet, again, is great for this, because there is so much information available. At this point, you're still looking for a major red flag that would turn you off the region. You're also looking for specific towns and cities, and parts of those cities, that look like the most appealing for investment. One major positive would be a town where real estate values are already growing. (Since you started by looking at job growth, you know the overall area will be booming for a while.)

13. This next step is the last major hurdle before you actually travel (and you will be traveling). You want to talk to two or more real estate brokers in your preferred area. You'll find them the same way you find any professional; look for referrals and reviews, get a list of interview questions together, and start calling. Here are some good questions: • How long have you been a broker? • How long have you been a broker in this area? • How many properties do you have listed right now? • How many properties did you broker in the last year? • Do you personally invest in real estate in this area? • What do you consider the most promising towns and parts of the area for investment? • What towns and parts of the area have the best governmental climate? • What towns and parts of the area have the best business climate? • What's available?

14. Depending on the answer to that last question, your very next move might be to book a flight to the city where a hot property is waiting. Regardless, now is the time when you will start planning visits. Plan to spend about four days in each area, and don't book all your flights right away; you really might find the best opportunities on the first trip. Make appointments with one or both of the brokers you contacted.

15. If you haven't already done so, this is also a good time to get all your financial information together. Like you, your brokers value their time, and they don't want to waste it with someone who can't really afford to buy real estate. They'll want some confirmation of your status as a serious buyer; if not before the trip, then when you're sitting with them.

16. You should also make appointments with several property managers. Since this city is a long way from your home, you can't manage the properties yourself. It's possible that the broker is also a property manager, which is great. If not, he can certainly recommend one. He