

# FINDING YOUR EDGE SUMMARY

## EDGE PRINCIPLE 2

### Innovate to Gain an Edge

I didn't have the resources most people leverage for their success—capital, credit, connections, and experience—but I didn't let that stop me. I found new ways to do deals when I didn't have the money to buy them myself, and I offered value in terms of knowledge or relationships in exchange for equity in properties. My weakness—a lack of capital—became my strength, my edge, as I learned how to structure deals with partnerships and creativity. Creativity is driven by finding value using knowledge and skills that can take the place of capital, and I earned equity with my creativity. You don't need money to break into this business and be successful.

Commercial real estate is the perfect place for being creative because there are so many possibilities for the direction a deal can go. If you can figure out how to be successful without money, you will be head and shoulders above other investors once you have access to capital from partners and credit from banks.

Your edge may be different than mine and that's okay. Once you've discovered where you can outcompete or otherwise avoid the competition, believe in your strengths and leverage them to the max to gain an advantage.

#### **Seller Financing**

Don't assume all sellers want the same thing in a deal—e.g., the highest price. There are many reasons why people want to sell, and your first step in any negotiation is to find out why they want to sell. Knowing what is motivating the seller is critical.

People need to save on taxes, get out of partnerships, or they get divorced and need to sell. When a seller is motivated, they aren't willing to wait to maximize the value or get the highest price, and they are willing to sell now with creative terms. That is where you get to really have fun with the negotiation.

Everything is negotiable here and if you pay attention to what the seller wants and needs, you can find a way for both of you to win. There's no better feeling than creating a situation where both parties are excited about the deal.

Seller financing involves two people: the buyer and the seller. No brokers, no banks, no appraisers. What many sellers truly want, especially if they are selling to retire, is monthly cash flow. Seller financing gives them that.

In real estate investing, leveraging refers to using borrowed money to increase your profits. However, you can expand that definition to mean utilizing any kind of resource to get you where you want to go faster:

- Knowledge from others
- Your own knowledge, skills, and experience
- Regulations or laws that produce an upside

As I started to understand these things, I started to think more globally about how the power of leverage could be used creatively to get deals done.

There are three areas of leverage:

1. Your capital
2. The tax benefits of real estate
3. Your time

You must always find new ways to differentiate yourself from your competitors. You can't be a sucker, standing in line waiting for a deal to fall in your lap. I've had the best luck with building a database of mobile home parks and self-storage owners. Continually talking to them over months and years gives me opportunities to purchase a property first, before they list it for sale.

The old saying "necessity is the mother of invention" is literally true, and it's a key quality for successful commercial real estate investors.

## Chapter Takeaways

- Creativity will differentiate you from all the other investors out there. Very few investors put the time and energy into the small details that can maximize the potential of each deal, and even fewer work to improve the property while they own it.



