

The Simplest First Step To Building a Real Estate Portfolio

Investing in real estate is one of the most efficient ways to grow wealth.

24 billionaires on the 2021 Forbes 400 list were real estate tycoons. The list includes California-based Donald Bren, the wealthiest real estate billionaire in the country, who's net worth leapt up \$1 billion last year to \$16.2 billion.

Real estate provides you with passive income, an opportunity to grow equity, substantial tax benefits, the ability to leverage funds, and the possibility of a big payday when you sell a property for a profit.

People routinely become millionaires through real estate investing.

While real estate investing can be intimidating, there is a simple starting place that any homeowner can do.

Renting a room in your own home

If you have a spare room in your house, or even a mother-in-law unit, there are plenty of people who would rent a portion of your home.

According to the Rentals.ca August 2022 [Rent Report](#), the average rent over all properties listed was up 10.4% from last year and is \$1,934 per month. Just under a third of Canadian households, 4.4 million adults and families, live in rental housing. In the United States, 35% of households reside in rental properties. Over the past ten years rental rates have risen 31%, and now the median rent is \$1,129.

Craig Dunkerly, the CEO and co-founder of BG Wealth Group, has a successful and profitable real estate portfolio consisting of commercial, residential and vacation rentals in Canada and the U.S.

Real estate is the main vehicle that he has used to grow his personal wealth and help his clients build wealth. But can you believe that he started out by renting out his basement?

“Do you realize there is a tenant in the basement?”

He said, “When I bought my first house I was looking for someone else to pay my mortgage. My family's real estate lawyer was helping me set up the deal and he said, ‘Do you realize that there is a tenant in the basement?’”

Of course Craig realized it. He wanted a tenant, because the tenant was paying enough in rent to cover all of the mortgage.

“He almost talked me out of it!” said Craig. “I’m so glad he didn’t.”

Before you rent a room in your home, research the market

How do you get the best price for your rental? Start by getting a lay of the land in your area so you can have some perspective on how your room compares to other rooms and what people are paying.

You can get this information by asking other landlords, going into online forums and asking questions, or asking real estate agents. There are online calculators that can help you land on a competitive price, like www.rentometer.com, which can provide an analysis based on metrics like average rent, median rent, building type, minimum and maximum rent per square foot, neighborhood and building type.

Protect yourself and your property with a rental agreement

When you rent out a room, you need to write a contract that spells out the terms of the rental, and it’s up to you to write it in such a way that it is in your favor. If you and your tenant ever have a legal dispute, the agreement you have between you will determine the outcome.

It can be helpful to hire an attorney to write it for you. Other people use free rental agreements from sites like LegalZoom or RocketLawyer. LegalZoom recommends that you make sure that each agreement includes

- Full names of the renter(s),
- Address of the property,
- Length of the lease and how it can be renewed or terminated,
- Amount of the rent and security deposit,
- Which amenities are included and which ones are not,
- Policies on pets,
- The number of occupants allowed,
- State what notice you will give for repairs and inspections, and say that if the tenant fails to give you access for repairs you can terminate the agreement,
- Rules like “no smoking,” “no illegal activities” and “no excessive noise,”
- Tenant is responsible for damaged property,
- Tenants are responsible for legal fees if you take them to court for anything spelled out in the agreement.
- Signatures.

These terms protect you if you want to end the agreement.

A hands-on approach will save you money when you're first getting started as a landlord

When you rent out a room in your own house, or buy another property, there will be plenty of little jobs that come up. Do your best to figure out as much as you can on your own because it will save you money and give you the opportunity to learn every aspect of the industry.

Craig said, "At first I wasn't hiring anybody because I did everything myself. Then, when I finally did hire contractors, I could tell if they were overcharging me."

The biggest business opportunities are in buildings that look like a disaster, but you can fix them up and sell them for a profit.

Early on he bought a house for \$100,000, and completely gutted it and redid the entire house. He spent \$20,000 on supplies and sold it for \$160,000. And so it sometimes pays to do the work yourself.

Craig bought three properties, and eventually made enough to cover the cost of hiring contractors. At that point he didn't have the time but he had the money to cover it.

Start small and reinvest your earnings

The main drawback is that there will be a person living in your home, so you have to be prepared for that scenario. It is worth it because renting a room out in your home is a great way to generate cash flow, have someone else pay your mortgage, and get started in the exciting world of real estate.