GO ASK SAM

Insights from my 25 years in Real Estate

SAM POMPEO

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Sam Pompeo

Endorsements

Over the past 15 years, I've worked with four agents across three states. Of those, I can honestly say that Sam Pompeo is the most customer-focused of any real estate professional that I've worked with. What really sets Sam apart is his in-depth knowledge and experience in home construction and renovation. This proved to be exceptionally helpful when evaluating the true cost and potential of a property in need of repairs or improvements. I would recommend Sam without hesitation to anyone and will certainly use his services again in the future.

Bill Perez

Principal Manager,

Southern California Edison

Having been in the mortgage and real estate industry for the last 26 years, I have personally worked with over 1,000 real estate agents. I can honestly say that Sam Pompeo is in the top 1 percent of all the agents with whom I've worked. It has been an honor to be involved in so many transactions with him. His warmth and outstanding communication skills, together with his incredible real estate knowledge and experience, makes the whole process run smoother. Thank you my friend for doing a great job...You're hired! !

Edward Casas

Broker / Owner,

Progresive Funding, Inc.

Sam Pompeo is one of the best Real Estate agents I have had the pleasure of working with. We met and worked together when I bought and sold my house in Simi Valley, CA. Sam is very knowledgeable about his business and has the ability to turn the sale/purchase of a home, usually a very difficult endeavor, into a pleasant and successful task. He always makes it a win-win experience. Most recently I had to move to Brazil for job relocation and Sam handled the sale of my home without my even being in the same country. The quality of his work is second to none.

Elifas Wanderley

Monsanto (Brazil)

I have known Sam Pompeo for over ten years now and I've worked with him multiple times. Sam has always been available, patient, and relentless when working with me as a client. No matter how busy he was, he always gave his full attention, guided the entire process, and treated every step with the utmost sense of urgency. His vast knowledge of the real estate industry and the different local markets, as well as the relationships with other realtors he fostered over the years, made him an invaluable ally. Anyone looking to buy or sell real estate will find value of having Sam on the team. I will always consider him as a friend first!

Joachim Reitman

Avalon Bay,

Property Management Industry

I met Sam Pompeo at an open house when he was selling a property in the Cal West development 8 years ago. We bought that particular property and sold it (also through Sam) years later. Sam is a consummate professional who has terrific people skills. His vast experience and knowledge of real estate bring enormous value. He has a very high "trust factor" with his clients because he has his clients' best interests in mind. Over the long run this serves him well with repeat business. Despite the fact that we now live in Boston, our family still keeps in touch with our good friend Sam. I wouldn't consider working with any other real estate agent in Southern California**.**

Jim Ferrero

Research Scientist

I've been in the mortgage industry for 27 years and I've worked with Sam Pompeo for longer than 15 years. He's the consummate professional for buyers and sellers in all price ranges. If you need someone who moves with the ever changing lending and real estate conditions in this business, Sam is consistently the man.

Michele Stanisch

Vice President,

Prospect Mortgage

There are many agents, but few who can finish the tough transactions—Sam Pompeo is one of them. My transaction was complicated for a number of reasons: I was buying Real Estate and a business from a major franchisor. The inexperienced seller was afraid of any request from the franchisor. With his unparalleled knowledge, Sam coordinated and managed the entire transaction, bringing a happy ending for both the buyer and seller. I strongly recommend Sam Pompeo. When we needed him, he was there for us!

Ralph Kim

Owner Arco Gas AM/PM,

Long Beach, California

Sam Pompeo and I have been business associates for more than 12 years. His professionalism and "can-do" attitude set him apart from the average real estate agent. His attention to detail and use of effective technical tools enhance the services he provides.

Ron Grider

EA

In today's real estate marketplace, the most important 'key' to navigating the road ahead is your Realtor Professional. You need a 'partner' that provides understanding of the marketplace, compassion for the challenges that you might encounter, as well as support to resolve challenges. Throughout my 30 years in mortgage banking, Sam was one of the highest integrity guys I've known. I proudly use him for my own real estate transactions. His advice is invaluable!

Steve Brent

Senior Vice President,

Mortgage Banking Professional

Sam did everything he said he would do and more. He outlined all aspects of our real estate transaction, explained what we needed to do, and was there to see us through each stage of the sale.

Susan Venable

Owner / Venable Studio

My husband and I were lucky enough to cross paths with Sam in 1998. We were looking to purchase our first home, and education and sound advice was what we needed. Sam was such a phenomenal help to us. Over the last 15 years Sam has time and again represented us and many members of our family in our real estate transactions. Each time, his patience, guidance and advice have brought great experiences to our family. Thank you Sam Pompeo, you are adored! Sincerely,

Vanessa and Cliff Calabro

Musician

"Sam Pompeo is responsible for finding my dream home. I am a very picky buyer. His patience, attentiveness, and knowledge helped me get a short sale in a prime neighborhood. For that I am so thankful."

Kerry Donovan

Pharmaceutical sales

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With love and gratitude, I dedicate this book to my son Lucas, all of my family, and to my clients. Thank you for bringing so much fulfillment to my life.

- Sam Pompeo

GO ASK SAM!

Most people have heard that the purchase or sale of a home represents the single most valuable financial transaction of a lifetime. Dollar amounts are frequently measured in six- or seven-figure sums, and numerous complications make the process feel foreign. Issues related to legal status of the title, financing, and taxes represent but a few of the complications that need careful attention. For those reasons and many more, buyers and sellers of real estate should pay careful attention when selecting a professional realtor to guide them.

My name is Sam Pompeo and I can help. I've been a real estate professional for longer than 25 years. During that time I have guided customers through more than 1,500 real estate transactions, serving buyers and sellers in both appreciating and depreciating markets. The total value of transactions I've led exceeds $500,000,000.

My area of real estate specialty is guiding buyers and sellers through transactions involving single-family homes. That said, I've also represented buyers and sellers of commercial properties, multi-family properties, and operating businesses that included real property in the deal. I've worked with attorneys who needed to liquidate real estate holdings due to probate issues, conservatorships, trusts, divorce, or bankruptcy troubles. I've worked with banks and other lending institutions that needed to clear properties from their balance sheets.

There is little about the process of buying or selling real estate that I do not know, and I'm eager to work as your real estate professional, willing to provide uncompromising service along the way.

With this small book, I strive to provide readers with my background. It will show how I started my career; it will show my work ethic; it will show reasons why I am best suited to provide guidance through any type of real estate transaction. Whether you're buying, selling, or liquidating, if you have questions pertaining to real estate, finding the answer is simple.

Go ask Sam!

Background

In an effort to help prospective clients understand why I'm best suited to serve them, let me begin by sharing some of my background. I'm a lifelong resident of Los Angeles, which gives me great insight into the real estate market of Southern California. I was born to a working-class family in the San Fernando Valley, where I've lived for more than 50 years. My family is an integral part of who I am and what I am, as much a part of me as my right arm.

Born on June 1, 1962, I am the middle child in a family of five. Both of my parents worked steady jobs while I attended St. John The Baptist De La Salle, a Catholic school, from Kindergarten to the Ninth Grade. I was named Sam after my father and my mother's name is Frances. I'm incredibly proud of them. My dad worked at Bell Telephone for nearly 40 years. He was assigned to the Capital Records building in downtown Hollywood, where he served as the in-house telephone technician. It's similar to what an IT guy would do today, but during the 1960s to 1990s, there were only telephones. He worked normal hours, from 9:00 am to 5:00 pm, but his work ethic always impressed me, as he would leave our house each morning before 6:00 am because he didn't want to sit in traffic. Dad was a great influence on me, which is why I'm always early for my appointments.

While my siblings and I were growing up, our parents didn't want us to be without supervision. So while my dad worked the regular day shift, my mom worked the night shift at Deluxe Check Printers, from 6:00 in the evening until 2:30 in the morning. Since electronic printing technology didn't yet exist for small business, there was an abundance of printing needs. My parents instilled their work ethic in each of us, and I'm teaching that same work ethic to my son, Lucas. Fortunately, my parents are still in excellent health, still happily married. They retired to Palm Springs the old fashioned way, living the American dream off of their well-earned pensions and social security.

My sister Lorraine is two years older than I am and my brother Kenny is four years younger. We're all very close and we speak nearly every day. My sister moved to Albuquerque nearly 20 years ago and she built a thriving real estate career with her husband, Tim. They have two children, Ben and Julianna.

Kenny lives in Simi Valley. He is the father of three children, Matthew, Michelle, and Rocco. Kenny holds a California real estate license, making us a real estate family, but Kenny built a successful business as a swimming pool designer and builder.

My siblings and I graduated from Granada Hills High School. After finishing high school, in 1980, I studied for a couple of years at California State University in Northridge. Wanting to find my way as a young man, I took some time off. After a year of going nowhere, I headed back to school, this time to the ITT Technical Institute, where I earned degrees in electronics engineering. Once ITT awarded my bachelor's degree, I took a job at Xerox as a technician who serviced high-end copy machines. That may not sound like a great launching pad for a career as a real estate professional. Surprisingly though, lessons I learned as a young man qualify me to serve clients better as I move deeper into my third decade as a real estate agent. Let me try to explain.

Understandably, readers may want to know why my background is relevant to how I can serve them best as a real estate professional. Well, as an experienced real estate agent, I recognize the importance of connecting with the people I represent.

My career isn't about "selling" real estate, so to speak. I'm in the service industry, providing the benefit of experience to people who are about to engage in a financial transaction of substance. It doesn't matter whether we're working together to purchase a first home, selling a current home and moving up, purchasing an investment, or liquidating a holding that no longer serves a purpose in a financial portfolio. Every real estate transaction involves a high dollar amount and extensive experience provides me with insight that can prove valuable as buyers or sellers work to navigate each transaction in the most beneficial way.

To provide that service, I want my customers to know me as an individual, as a friend. I am a "people person." As such, I strive to provide the best service possible. Indeed, I enjoy building relationships, even lasting friendships when working together with my clients. Those relationships begin with trust. Over the years, I've built a reputation that shows my willingness to go the extra mile when working to sow and nurture the seeds that will grow levels of trust.

If I succeed in winning a prospective client's trust, and we begin working together to facilitate a real estate transaction, I know how crucial it will be to helping clients feel my sense of commitment to his or her interests. I do everything within my power to build strong relationships, and with that end in mind, I enjoy sharing my background, letting my customers know that I'm a totally open book, transparent, eager to share and answer questions to the best of my ability. Experience has shown me that the more I open up about myself, the more I can put clients at ease as they embark upon these high-dollar transactions involving the purchase or sale of real estate.

That's why I discuss my background, taking my customers back to my early career at Xerox. I learned a great deal about the importance of serving customers while working as a young electronics technician. For five years, I carried my briefcase full of pliers and screwdrivers and other specialized instruments that helped me service high-end machines designed to copy blueprints in engineering firms. Those temperamental copiers cost upwards of $100,000 and I was on staff at Xerox to ensure that customers got the best use out of their expensive machines. That process of working closely with customers taught me the importance of providing excellent service, not only repairing their machines, but also teaching them more about the technology behind the machines.

I was in my mid 20s when I began working at Xerox. Interactions I had with colleagues and customers convinced me that although I studied circuits, capacitors, and switches while pursuing my engineering degree, my real passion was in working with people. With that in mind, when I was 26 I enrolled in classes that would lead to a license authorizing me to sell real estate.

Although I looked forward to making a career switch, I understood the importance of stability and responsibility. Since I needed to maintain a steady income, I wasn't able to completely abandon my regular paycheck at Xerox. Instead, I had to apply myself, keeping the day job at Xerox while working hard to persuade a real estate broker that I could offer value if he would let me start.

My first sale in real estate was in selling myself. Indeed, I had to persuade Rich Miller, a successful real estate broker at Century 21 All Properties in Chatsworth. Rich listened to my pitch, then agreed to go against his policy and hire me as a part-time real estate agent. Rich wasn't inclined to hire part-time agents, but when I convinced him of my work ethic, telling him that I would bend over backwards to provide prospective customers with exceptional service, Rich agreed to open an opportunity, allowing me to hang my newly acquired real estate license in his office. I spent the next several years developing skills as a real estate professional, working my full-time job providing technical support at Xerox, then working after hours and weekends helping to guide buyers and sellers through real estate transactions.

By providing this background of my early career, I'm hoping prospective clients will takeaway an important message: I'm the guy who is going to work harder than anyone else to provide real value in guiding them through each real estate transaction, whether the deal involves a purchase, sale, or exchange. A commitment to hard work has characterized my career from the beginning, and the background should show that my work ethic has deep roots, stretching back longer than a quarter century. I'm proud of it because I've always been a service provider, knowing the importance of investing the time necessary to help people bring their dreams to life.

The harder I worked, the more opportunities I opened. I built my real estate business by knocking on doors to introduce myself, offering to provide service to people who wanted to buy or sell homes. I wrote flyers and distributed them, describing how I would walk the extra mile, doing my part to make the complicated process of conducting a real estate transaction as easy as I possibly could. I kept myself in the trenches, so to speak, connecting with people and showing that I would do everything necessary to help them achieve their vision of making the right purchase or sale of real estate.

(Frances, Lucas, Sam, Sam Sr.)

Changing Markets and Bank Owned Properties (REOs)

That history of hard work on behalf of my clients established my reputation, leading to the beginning of my full-time business as a real estate professional. It taught me new lessons along the way. By 1993, the real estate market changed. Whereas prices had been appreciating in Southern California during my first five years as a real estate agent, those trends began to change in 1993. The national economy slowed, influencing real estate values in ways that I hadn't seen before. For the first time since I had my license, real estate prices began to fall. It required a different skillset and I mastered it so that I could provide excellent service to customers in a declining market, whether they were buyers or sellers.

The troubled economy led to higher rates of unemployment. Those economic difficulties brought along an increase in foreclosures of bank-owned properties, otherwise known as REOs, which were initials for the unwanted name on the bank's balance sheet:

Real Estate Owned

Whereas banks and lending institutions were in the business of making loans, or writing mortgages so that people could purchase real estate, the changing economy resulted in many people losing the ability to repay their loans. Those changing dynamics converted lending institutions into becoming unwilling owners of real estate. They began reaching out to hard-working realtors who could help them liquidate those unwanted REO properties.

As a young broker, I didn't have the experience of working with customers who wanted to buy or sell properties in a down market, nor did I have experience of working with financial institutions. On the other hand, I had a disciplined work ethic that was second to none, leading brokers in the area to take notice. Ron Kelley was a broker who specialized in liquidating REOs for the giant Federal Home Loan Mortgage Company that was widely known as Freddie Mac. As his workload increased with the flood of REO properties on the lender's balance sheet, Ron approached my boss, Rich Miller, asking Rich to recommend someone who would have the energy to help him prepare the overwhelming number of bank owned properties that were coming onto the market.

"Go ask Sam!"

Rich didn't hesitate to give his answer for Ron when it came to recommending a hard-working and honest real estate professional.

Thousands of brokers hungered for an opportunity to represent Freddie Mac because it was the largest real estate lender on the planet. The shrinking economy and depreciating home prices caused the volume of foreclosures in Southern California to surge. Rich encouraged me with his recommendation and when Ron Kelley offered the opportunity to work with him, I eagerly accepted the assignment, knowing that I could learn a great deal by working with a large volume of properties. I also knew that I would work exceptionally hard to prove worthy of the opportunity. The education I received would make me a better real estate broker, I knew, enabling me to draw upon lessons I learned from those volatile days to steer clients calmly through every type of real estate transaction.

In retrospect, I attribute those early days of my career to the type of real estate professional I became. Those experiences are the reasons that customers find the services I provide today so valuable.

As a representative for Freddie Mac, I began receiving an enormous flow of business. Since the Internet was not a household tool during the early 1990s, most companies conducted their business over the fax machine. I had a fax machine in my home, and soon after I began representing Freddie Mac properties, the fax machine started ringing. A trickle of calls grew into a flood.

Agents of the giant lending institution sent listings of bank-owned properties that had to be liquidated. The problem was quite simple. Banks owned the loans. When the homeowners quit paying the loans, the banks had to take possession of the properties. They did not want to own the properties, but they needed to take possession of the properties and recoup the loans. With Freddie Mac being based in Texas, however, the lenders had to rely upon honest local real estate brokers to help them sort through the listing of properties.

My assignment was to assist in selling the bank-owned properties that came across my fax machine. Those listings came with an address and the homeowner's name, but nothing more. I had to put a system in place, and the first step was to drive over to see the property. The Freddie Mac team, being based in Texas, didn't have any idea of the property's condition. Nor did the team know how long it would take to bring the property up to a condition that would make it marketable, or the sales price. As the agent who would receive the listing to sell the property, I accepted the responsibility of preparing it for sale. It was equally important that I keep my client informed of what was going on every step of the way. Doing so was part of my commitment to earning trust and proving worthy of the opportunity to represent Freddie Mac.

With the responsibility I assumed, I understand that my first task would always be taking possession of the property. If I didn't have possession, I couldn't fulfill the client's objective of selling the property. I understood that Freddie Mac wanted to replace the asset of real estate on the balance sheet with cash, and the more properties I could take possession of, the more likely I would be to sell it. With that end in mind, upon receiving the fax I hopped in my car and drove to make a preliminary inspection of the property. I didn't consider the labor as work, but as an opportunity to serve my customer and help steer the lender to an acceptable outcome.

When I arrived at the property, I sometimes found that the homeowners still lived there. In those instances, I took the first step of finding a lawyer who would work with me to file the eviction notice. Other times, the owners had already vacated the property, leaving it in either various stages of disarray or abuse.

Some bank-owned properties I walked into were nearly ready for occupancy while others required thousands of dollars worth of repair. I learned that every project was different, but I also learned that every problem had a solution. I was the solution guy! None of the work fazed me. I was a service provider, not a salesman. I understood that my job required that I serve the needs of my client, Freddie Mac. I would do whatever it took to help that client meet its goals, which became the basis for my work ethic. In Freddie Mac's case, responsibility meant that I had a duty to prepare every property for sale that came across my fax machine. I developed a system that follows:

1.! I would drive over to visit and inspect the property.
2.! I would take initial photographs from the street to document the file and send to the lender.
3.! I would offer them a program we called "Cash for Keys." Basically, that program provided a written agreement whereby I would give the homeowners money and they would give me possession within 30 days. The amount varied from $1,000 to $3,000. I excelled at selling the Cash for Keys program to the homeowners simply by being nice and advising them as to how it would play out if they didn't accept. I would consistently achieve about 60 percent acceptance rate. If they didn't accept the terms I'd work with an attorney to initiate eviction proceedings.
4.! If no one lived in the property, I would take steps to secure the property:
5.! I would call a locksmith to change all of the locks, board up the broken windows, and do whatever was necessary to secure the asset.
6.! While waiting for the locksmith, I would walk through the property, compiling a list of what changes I would have to make to get the property what I called "broom ready." I would take out the trash, clean

the lawns, and work with repair crews to gather estimates on costs for minor repairs.

7. I would prepare a report for the lender, detailing steps we needed to take to get the property ready for market and get approval to oversee those repairs.
8. I conducted a quick market-research study to determine the costs of comparable homes in the neighborhood for the lender.
9. I provided the lender with an estimated value of the home in an as-is condition, and an estimated value of the home if we made minor repairs.
10. After the lender determined how best to proceed, I created a plan, a timeline, and I documented steps along the way with reports and photographs of work being done.
11. I listed and sold the property.

My systematic, best-practices approach to liquidating bank-owned properties served my clients well. By creating a file for each property, and completing the file with a step-by-step guide on what each property needed, I kept the lenders aware at all times. To document the work, I attached photographs before the work began, during the work, and when it was complete. Those lenders admired the approach because my process gave them a clear "apples-to-apples" comparison of what I was doing to bring value to the project. They could see what the project looked like when I took possession; they could see the incremental progress;

and they could see how it turned out upon completion. Freddie Mac liked my documented checklist so much that the lender asked me to create a similar, uniform system that would help other real estate agents who worked with the lender to sell bank-owned properties in different areas of the country. I took pride in this acknowledgement that I had earned my place with Freddie Mac.

As a consequence of serving my clients well, my workflow increased. Freddie Mac loved that I was well organized and the lender's representatives began sending more and more properties to me. They expected real estate agents to provide a first-look report on properties within 72 hours. Yet my well-organized approach enabled me to exceed my client's expectations, teaching me another lesson: I would always work to exceed expectations, to provide my clients with more than they expected.

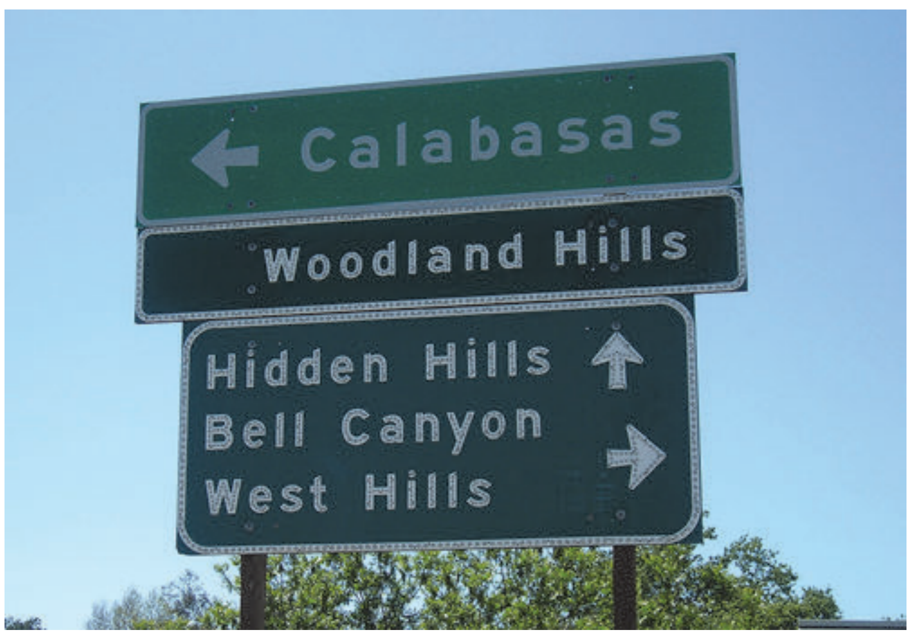
I learned to begin my day before 6:00 each morning and to work well into the evening hours. That commitment allowed me to submit my reports to Freddie Mac within 24 hours rather than the expected 72. As a consequence of the work ethic, Freddie Mac increased my number of listings. In the beginning, those REO listings flowed in at the rate of one property each week, which was pretty good. But my good organization skills convinced the lending agents at Freddie Mac to feed me more.

Those organizational skills I developed were especially helpful after the 1994 earthquake hit Northridge, which sent the real estate industry into a tumult, bringing many more problems for bank owned real estate. By then, my fax machine rang with as many as 20 weekly new properties to list. That workflow required me to hire and manage a small team of assistants, and together we oversaw listings of as many as 200 properties at a time.

Market Changes

Again, I share this information because I want all prospective clients to understand how my vast experience of listing and selling properties qualifies me to guide others through every type of real estate transaction in every type of real estate market. As I've written before, I do not consider myself a real estate salesman. I'm a service provider. As such, I consider it my duty to provide the best possible service, whatever the client needs in any given market, and I have extensive experience in all markets.

After my extensive run as a national leader in overseeing the listing and liquidations of bank owned properties, in 1996 I observed a shifting of the market. Prices were reversing course, showing that real estate was again appreciating in value. The REO market was slipping, as fewer people were losing their properties to the banks. But when one door closes, another opens. By the time the market began heating up, I had helped hundreds of clients buy or sell properties. It gave me an extensive book of business, opening more opportunities to provide service to customers who wanted to upgrade their properties or to make changes to their real estate portfolios. I transitioned my practice from the Chatsworth area to the more affluent area of Woodland Hills, expanding my skillset further. Although I come from a meat-and-potatoes background, my experience of representing buyers and sellers of every socioeconomic status, I am well suited to guide real estate transactions valued in the low six figures as well as real estate transactions valued in the mid seven figures. I have experience of serving clients all over the San Fernando Valley, from Chatsworth to Hidden Hills. Currently, I'm proud to serve clients through my association with Roger Ewing and Associates Sotheby's offices in Calabasas.



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Summary of experience:

I'm hoping that the background information I provide above leaves prospective clients with some simple takeaways:

- I am a service provider for clients who want to buy, sell, or liquidate real estate.
- I have experience of guiding transactions through real estate markets where values are appreciating.
- I have experience of guiding transactions through real estate markets where values are depreciating.
- I am relentless.
- I have a solid work ethic that stretches back decades and I have a deep commitment to serving the client's needs.
- I am experienced in overseeing relationships with other professionals who provide value to various types of real estate transactions, including:
    - Probate attorneys
    - Bankruptcy attorneys
    - Trust attorneys
    - Divorce attorneys
    - Lenders

- Contractors
- Mortgage brokers
- Insurance agents

First and foremost, however, I am an honest broker, having served buyers and sellers for longer than 25 years. During that tenure I have participated in more than 1,500 real estate transactions without a single complaint being filed against me. I am proud to go the extra mile for my clients, to assist my clients in doing things that others will not do. I understand that there are times when serving my client means that I must manage the pool, visit the property repeatedly, or market aggressively through social media or television. I understand that my role as a real estate advisor is not only to help the client purchase, sell, or liquidate a property, but to provide insight into market conditions, making the client feel comfortable while navigating a transaction that may be measured in the hundreds of thousands, or millions of dollars. Most of all, I'm a friend in the process, not selling, but providing the service my clients need during transactions of lasting importance.

To fulfill this objective, I follow a rather simple, but systematic process that begins by giving assurance of my commitment to my customer. I want clients to know that I'm here to ease the process and to provide a level of comfort. To serve them best, I aspire to expand a level of trust, one that will help my clients open up in ways that will broaden my appreciation for who the clients are as individuals, what they're striving to achieve, and how they will define success. I want to know as much as they feel inclined to share, including where they want to live, what factors will drive their decisions, and steps I can take to provide the most personalized service.

My business exists because of my willingness to offer an honest service to every customer who opens the privilege for me of working together and contributing my expertise. I make this commitment to my clients not only because I want to advance my career, but also because I consider it my responsibility to live a high-integrity life, with a solid work ethic, so that I can live as a role model for my son, Lucas. I want my son to embrace those same values as he matures through adolescence, and the best way I can influence Lucas is by living as an example of all that I want him to become.

My approach to serving clients differs from many others in the real estate industry. Rather than striving to earn a commission as quickly as I can by "hard selling" a home, I work patiently to understand the customer's long-term vision because I want the customer to find the right home, the home that best meets his or her needs. With sellers, I offer the same type of personalized service, giving them honest insight into what the market will bear rather than bamboozling them with unrealistic sales expectations just to get the listing; I do not want their house unnecessarily sitting on the market for extended lengths of time without any buyers because of unrealistic price expectations. When I share my insights, I do so from the perspective of a facilitator, backing up my positions with tangible and verifiable market data that buyers and sellers can use to make the best possible decision.

The benefit of my experience will bring value to both buyers and sellers. It is experience rooted in hard work, from navigating both up and down markets, and communities of all income levels. I am a specialist at bringing both buyers and sellers together, then guiding them to make the best decision. It may surprise some that on many occasions, I've provided dual representation, guiding both buyers and sellers in the same transaction.

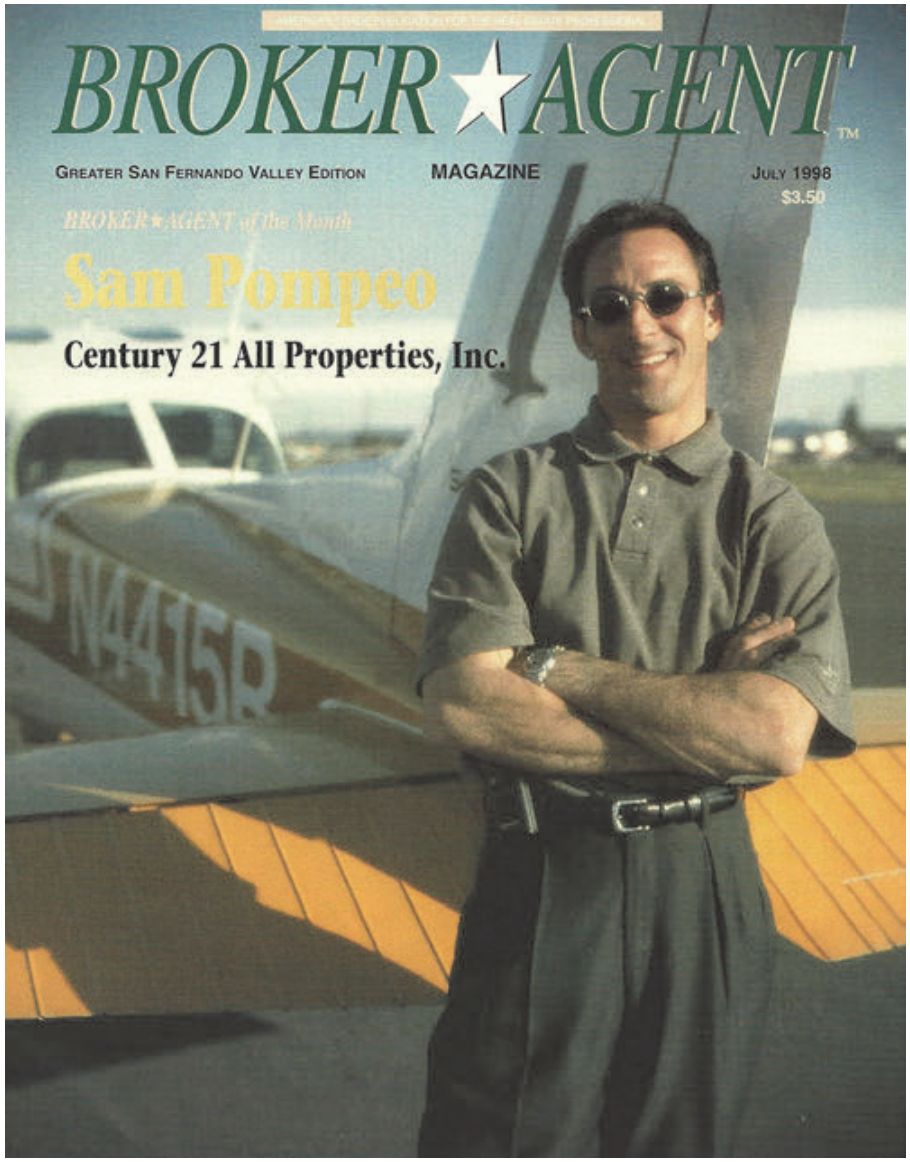
Managing both sides of a real estate transaction requires experience for obvious reasons. The seller wants to receive the highest possible price for his property. The buyer, on the other hand, wants to receive the best possible purchase price on the property. Representing both sides of a transaction could present a conflict of interest, and yet I've done so hundreds of times, helping both parties feel as if they were treated fairly, well cared for throughout the transaction.

That sense of fair representation does not happen by accident. Indeed, dual agency can be sensitive ground, but as I wrote above, my approach has always been that I am a facilitator, assisting in ways to help the parties achieve their objectives. I offer suggestions and bring relevant information to the conversation, showing relative prices and the strengths of the transaction at different price points. By maintaining a neutral position, offering insight into current market trends and sales temperatures, and not pushing either party too aggressively, I've frequently succeeded in helping many buyers and sellers find mutually satisfying benefits in the same transaction. That's my expertise!

In summary, I'm that guy who will work tirelessly for his real estate clients, whether they are buyers, sellers, or liquidators. I'm the guy clients can call any time of day or night, the guy who finds solutions to real estate problems. That strategy defines my career, and I've got 25 years of history to back it up.

If you're looking for a professional to represent your real estate needs to the fullest, then I urge you to contact me. I'm in the profession full time, with extensive experience that will serve you well. When making a transaction that involves a high dollar amount, you need a professional, someone who can steer you through and advise you well regardless of market conditions or other external factors. When the subject is real estate, I'm your man. When real estate questions surface, you should know where to turn:

Go ask Sam!



"I don't know anything about luck. I've never banked on it and I'm afraid of people who do. Luck to me is something else: Hard work and realizing what is opportunity and what isn't!"

-Lucille Ball

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In an effort to provide some guidance on frequently asked questions that colleagues and clients have asked me over the years, let me offer the following as a guide.

Go Ask Sam!

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Go Ask Sam: What national real estate market indicators should I look at when considering whether the time is right to buy a home?

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Answer: Buying a home doesn't begin with a macro analysis of the United States housing market. Instead, a prospective homebuyer needs to begin with the question of how he is going to fulfill the housing needs for his family. What neighborhood suits his needs? Some neighborhoods offer buying opportunities that look particularly attractive while others offer properties at competitive price rates. In an appreciating market, properties may sell for more than the asking price. As an experienced real estate professional with extensive ties to Southern California, a work ethic that is second to none, and an uncompromising honesty, I am best suited to help prospective home buyers understand the market inventory of homes, the trend on whether housing prices are going up or down in value and at what pace, the number of days that homes are on the market before sale, and how much homes are selling for compared to the listing price. You can't get that type of information from national market indicators. Remember the cliché: all real estate is local!

Go Ask Sam: If I'm going to buy a house, how long should I plan on living in the house before I sell?

Answer: During previous decades, experience convinces me that individuals could purchase a home when they had intentions of staying for three to five years. Common perceptions were that real estate values would always increase, and so there wasn't any harm in buying a house today with plans of selling in a relatively short time frame. As everyone knows, times have changed. I've lived through two cycles of declining market values, and no one wants to be stuck in a house that doesn't sell. The market is changing now, on a gradual rise, but experience convinces me that buyers should put more consideration into how long they'll be staying in one place. Consider family circumstances, such as children. I advise the clients I represent to have a longer-term perspective and to think about whether the home they're buying will suit the family's needs for a bit farther out than five years.

Go Ask Sam: What external factors should I consider when buying a home?

Answer: Too many factors influence real estate transactions. That's why an experienced real estate professional like myself offers so much value. Working with hundreds of buyers since the early 1990s convinces me that buyers may start with consideration of both historic price appreciation and long-term prospects for the neighborhood. The more buyers understand the area where they're thinking about buying, the more informed decisions they can make. Purchasing real estate generally represents one of the most valuable financial transactions in a person's lifetime, so it makes sense to understand the environment. Start by asking questions about the types of industry or business that generally supports the area. What is the educational level of other residents? How much of a commitment does the community make to its schools? How have real estate appreciation levels compared with other neighborhoods over the past decade?

Go Ask Sam: How much money should I save for the down payment before I set out to purchase a home?

Answer: Generally, mortgage lenders prefer that homeowners have sufficient savings to invest 20 percent of the price toward the purchase of a home. Homeowners may find financing that requires significantly less as a down payment, but with lower down payments, they will likely be subject to additional fees for mortgage insurance. The savings pool, however, should cover more than the down payment. Homeowners should prepare themselves to pay for closing costs, which can run as high as 5 percent of the purchase price. In addition to those expenditures, homeowners should prepare themselves to pay for move-in expenses that may include a refrigerator, curtains, or improvements that they want to make. As a real estate professional, I consider it my duty to help prospective homebuyers factor in all of the costs that come with home ownership, to prepare themselves by keeping an emergency savings fund on hand even after they pay all expenditures associated with purchasing the home. With all those considerations, a homeowner should see how a savings plan before home purchase should relate directly to the cost of the price they expect to spend. Financial stress can ruin the experience of home ownership.

Go Ask Sam: Why should I buy instead of rent?

Answer: Your home is an investment, not just an expense. Renting, on the other hand, is an expense requiring that you write your monthly check. Once you write that check, that money is gone forever. When you own your home, on the other hand, you can deduct the cost of interest from your loan on federal income taxes you pay, and usually from your state taxes as well. Those deductions lead to cost savings each year because interest expense makes up such a large portion of the monthly payment, especially during the early years of the mortgage. You can also deduct the property taxes you pay as a homeowner. In addition, the value of your home may go up over the years. Finally, owning a home may bring you a sense of stability, as if you're truly a part of the fabric that holds society together. Homeownership comes with levels of responsibility, but it's still part of the American dream and that's why people who can purchase a home responsibly should own rather than rent.

Go Ask Sam: I am moving out of state and I want to know how you can help me sell my house?

Answer: If you're moving out of state, I'm the perfect real estate agent to help you. As I described in my background, I have extensive ties to Southern California. Besides those longstanding connections throughout the city, I have extensive experience that includes presiding representation through more than 1,500 real estate transactions. I've sold homes in appreciating markets and in declining markets. Those experiences have seasoned me in ways that will allow me to provide you with exceptional service. Since you can count on me to take care of every aspect of selling your house, you can focus on the excitement of moving into a different community. I'm here to help you focus your attention on moving forward and creating new experiences. Homeowners who anticipate moving out of state can count on me to take care of every aspect to ensure that I find a new buyer for their home at the best possible price. And while the home is listed, I have the capabilities of overseeing its upkeep.

Go Ask Sam: How can you help determine the value of my home before I sell?

Answer: I am an expert when it comes to performing market analysis. My experience of representing both buyers and sellers in more than 1,500 real estate transactions over the course of two and half decades gives me insights that can help you set the most marketable price for your home. I am honest, as shown by a sterling reputation that does not include a single complaint over the course of my career. That's crucial to consider, because homeowners need guidance from the real estate professional they choose. Too many real estate agents fill the ears of prospective clients with happy talk, promising to sell the house at a high number with hopes of tying the property up with a listing. The agent knows the listing price he suggested is too high, but banks on the possibility that after a few months pass by, he will convince the home owner to lower the price to the point where it should've been in the first place. That's a common trick. Just as the real estate agent with the bright smile can offer a lot of happy talk, homeowners who lack insight into market trends frequently have happy ears. As a professional real estate agent I offer my clients scrupulous honesty, and when I assess a price of the house, I bring the benefit of extensive experience and market research that shows how I arrived at the home's correct price point given market and economic conditions.

Go Ask Sam: Can you help to sell my house even if it isn't in perfect condition?

Answer: Yes. As my background shows, I have been in the business of matching buyers and sellers of real estate for 25 years. During that tenure, I've worked with every type of home and with buyers and sellers of every income level. When it comes to real property, I am the solutions guy. As a real estate professional, I can help clients see the best possible solution for their particular circumstances. My experience in being a sales representative for Freddie Mac gives me insight into selling distressed properties. While in that capacity, I helped my clients sell real estate in as-is condition, and I also helped oversee minor and major improvements that would yield a better sales price. Ultimately, the homeowner must decide whether it makes sense on making improvements before a sale. My expertise can provide the data that will guide the homeowner's decision. In any case, I am well qualified to find buyers for homes in any condition!

Go Ask Sam: How much are houses really worth?

Answer: As with any investment, a house is only worth what the buyer is willing to pay. That said, as a real estate professional, I have exceptional skills and experience to offer every client. Clients can rely upon me to help them understand fair market value for individual housing neighborhoods. To determine that fair value of a house, I analyze the market in comprehensive ways, using the tools of technology to bring forth compelling data. It includes an analysis of how much buyers have paid over a given time period for comparable houses in the neighborhood. To make that comparison, I include such factors as square footage, construction quality, design, and floor plan. I also look at access to public transportation, shopping, and schools. In addition, I look at lot size, topography, view, and assess the landscaping. I offer these services at no cost to my clients. Indeed, I want my clients to consider me a partner in the transaction, guiding and helping them to make the best possible decision.

Go Ask Sam: What is a short sale?

Answer: Basically, a short sale is the sale of a house for less money than the homeowner owes the bank or lending institution. Lenders may agree to sell any property for less money than is owed on the mortgage, but it is at the lender's sole discretion.

Banks are not under any obligation to allow a property to sell for less money than they are owed in accordance with the original terms of the mortgage. Generally, if the bank believes that it's in the bank's best interest to allow for the transfer of the property's ownership at a price that is below the mortgage amount, the bank will proceed with the short sale. That's where I can help. As an experienced realtor, I have extensive credibility in working with lending institutions. My long history of working with Freddie Mac, the country's largest real estate investor, puts me in good standing to negotiate on behalf of my clients, whether those clients are on the buying or selling side. If you have questions pertaining to short sales, whether you're buyer or a seller, just ask Sam.

Go Ask Sam: What is the difference between a short sale and a foreclosure?

Answer: As an experienced real estate professional, I guide clients through transactions that include both short sales and foreclosures. As mentioned above, a short sale involves a transaction where I work together with the buyer, the seller, and the lending institution. That complicated transaction requires that I work with the lending institution to show why a short sale is in the lender's best interest. To accomplish that end, I endeavor to paint a picture, helping the lender see numerous perspectives that include the seller's financial situation and the market dynamics. I also work hard to ensure that the buyer looks attractive to the lender. A foreclosure differs from a short sale because in foreclosures the homeowner has already walked away from the property, allowing the lender to take possession of the home. The bank does not work with the homeowner at all because the bank has already foreclosed and owns the property. Accordingly, the bank is the seller. In any event, whether it is a short sale, or a foreclosed property, I have experience to guide buyers and sellers through the transaction.

Go Ask Sam: If I'm a buyer, should I try to work with the lender and purchase a house through a short sale or should I wait for a foreclosure and try to purchase the property then?

Answer: As a real estate professional, I invest time and energy to understand my client's intentions. Foreclosures and short sales have different implications. In most cases, rather than deliberating on whether a foreclosure or short sale offers the best value, buyers may want to consider the housing market as a whole and whether the house is going to suit his family's needs. If the client is buying for investment purposes, he can afford to be selective, letting opportunities come and go. When a buyer is striving to purchase a property for his family home, on the other hand, he might be better off to look for the house that will bring the best prospects for happiness, given his particular circumstances. Purchasing a property through a short sale can bring many frustrations. Technically, the lending institution has a right to demand full payment of the agreed upon mortgage from the seller. But if the seller is incapable of meeting his financial obligation, and the market looks weak, the lending institution may agree to a buyer's offer to purchase through a short sale. The process, however, can be long and frustrating. With a foreclosure, the property may be sold at an auction, with many buyers submitting competing bids. By offering the guidance that only experience can provide, I've helped many buyers find excellent value through short sales and foreclosure purchases. But as with all real estate transactions, buyers must decide what situation works best in their particular circumstances. We then work together on a plan that will help them achieve their dreams, and not so much on whether a particular type of sale is preferable to another. All circumstances are individual.

Go Ask Sam: What type of experience do you have in working with reverse mortgages?

Answer: With more than 1,500 real estate transactions behind me, I have vast experience in working with every type of deal. A reverse mortgage is a financial mechanism that allows homeowners to tap into their equity as a source of income. I have worked with many clients as a conduit to lenders who offer reverse-mortgage services, and I have worked with family members who received properties through probate that were subject to reverse-mortgage complications. On one occasion, I had a client whose mother passed. My client's brother was handling details of the estate, which included a home that the mother had been living in for decades. She had taken out a reverse mortgage on the property, drawing upon her equity for many years. By the time she had passed, my client's mother had taken out more money from the property than the market value of the home at the time the family was settling the estate. Family members were concerned that they would have to tap into their own personal savings to settle the debt. I was able to provide a calm hand, ensuring them that I would work with the lender. The family members empowered me with authorization to serve as an intermediary with the lender on their behalf. As I promised, the family members were able to absolve themselves of any liability and the lender allowed me to sell the property, despite a lack of equity that stemmed from repeated draws on the reverse mortgage.

Go Ask Sam: What do you know about 1031 exchanges?

Answer: I am totally up to speed when it comes to 1031 exchanges and other types of tax-influenced real estate transactions. The 1031 exchange offers real estate owners a wonderful opportunity to defer tax liabilities on gains they make from the sale of a piece of property. When owners sell one type of property that meets specific qualifications, and then proceed with the acquisition of another qualified property in a specific timeframe, they may defer tax implications. The logistics and process of selling a property and then buying another property are practically identical to any standardized sale and buying situation, but a 1031 exchange is unique because the entire transaction is treated as an exchange and not just as a simple sale. I am well qualified to guide buyers and sellers of real estate through 1031 exchanges, and I'm always willing to go the extra mile in providing personal service. As an example, I recall one story of a client I received through a referral. My previous client told me about a family member who was relocating to Southern California from Northern California. She wanted to purchase a property under the shelter of a 1031 tax deferred exchange. The window was closing before the possibility for the 1031 exchange would expire, and it was complicated further because the client was not a driver. As the real estate solution's man, it wasn't a problem. I interviewed the client over the telephone while she was still in Northern California, collecting as much data as I could about her property needs. I then identified dozens of properties that would meet her criteria, and agreed to drive her each day from property to property over several days. I'm well known for providing that type of personalized service, doing whatever I can to facilitate a real estate transaction.

Go Ask Sam: How can I preside over the sale of my property when I need to relocate out of the country for employment reasons?

Answer: When it comes to real estate transactions, I'm known for figuring out solutions rather than for allowing unanticipated problems to unhinge me. Certainly I understand that life brings unexpected complications. Whatever those problems may be, I make myself available to help clients resolve issues pertaining to real estate. For example, a past client of mine had to move on short notice from Los Angeles to Brazil. He worried because he had a vacant property with a swimming pool in Simi Valley that he could no longer maintain. I encouraged the client to entrust me with the responsibility of overseeing the property while I worked to bring it to market. I hired a pool man and a gardener, and I then worked with the service providers to ensure that the property always looked impeccable for prospective purchasers. Because of that attention, the property sold relatively quickly and we entered into an escrow agreement. While waiting for the property to close, however, my client called from Brazil with the unwelcome news that he had received a $600 water bill. He could tell something was wrong, because the water bill was more than double the norm, despite the property being vacant. Understandably, he was frustrated because he could not manage the problem from Brazil, and his job would not allow him to return to California. Yet if he didn't respond to the problem, the purchasers could walk away from the property.

As a real estate professional, I consider myself a partner with my client and I was happy to help, to provide him with the type of full service that all of my clients can expect from me. In that instance, I contacted the Simi Valley Water District and coordinated a meeting at the property. With the help of a leak detection company, we determined that the cause of the high water bill spawned from a broken pipe under the city sidewalk. Not a problem. My experience of bringing hundreds of Freddie Mac properties to market endowed me with the exact type of skill to handle this situation. I contracted with a local company to dig up the sidewalk, repair the broken pipe, and then replace the sidewalk. Had I not been able to handle this matter for my client, he would've lost the sale before we closed escrow. As a consequence of his being able to count on me, however, we were able to find a solution and close the sale on time, without a hitch. In summary, when a client needs personal attention to resolve a real estate transaction, no matter the complication, I'm there to help find solutions.

Go Ask Sam: What are all the costs of home ownership?

Answer: Unfortunately, I don't receive this question often enough from first-time homebuyers. All too often, first-time homebuyers consider the price of the house and the amount they will need for a down payment. But they don't always understand the ancillary costs associated with home ownership. As a partner who helps to facilitate real estate transactions, I consider it my duty to offer guidance and insight, to help them understand all of the costs associated with home ownership. I want to remove all surprises from the clients who give me the privilege of working with them on real estate transactions. One of the ways that I try to assist is to offer the benefit that only comes with experience, not only of being a property owner, but also the experience that comes with having worked directly with many hundreds of other property owners. If my clients are buying a condominium complex or other planned community, I help them understand and anticipate association dues as well as additional taxes or assessments. Newer communities sometimes attach these costs, but they can be hidden in ways that do not become apparent until after the sale is complete. If there is a homeowner's association (HOA), I take steps to communicate with representatives of the HOA before closing the transaction. I want my clients to have a clear understanding, ensuring that existing HOA rules do not conflict with my client's lifestyle, pets, or anything else. It's all the more reason that I invest the time to get to know my clients well.

Go Ask Sam: How can I tell if a home is going to meet a lender's appraisal expectations?

Answer: I'm really happy to share my knowledge about all aspects of the real estate market with my clients, and one important component of most real estate transactions is financing. As everyone knows, real estate markets have gone through some tumultuous times during the past several years. Whereas it was once unheard of for real estate values to decline, since 2006 we've seen countless situations where property values fell so much that homeowners owed more on their properties than the properties were worth. In the aggregate, lenders lost trillions of dollars through real estate loans that went bad for any number of reasons, and as a consequence, mortgage lenders have become increasingly stringent with regard to lending criteria. As an experienced real estate professional, however, I can help. I have access to the most up-to-date market comparisons and I can easily create a report with the prices that comparable properties have fetched in local markets. Those comparisons give lenders a level of comfort. One strategy I've used was to work with my clients in preparing entire packages for their lenders to consider, making it much easier for the lender to see that the property in question does indeed meet requirements. I'm happy to provide this additional service of helping my clients secure the financing they need to close on the property they want.

Go Ask Sam: What dangers should I be aware of when buying a home in a seller's market?

Answer: As with all negotiations, knowledge is power. The more a prospective homebuyer understands about real estate, the more confident he becomes when entering a negotiation. The reality is, however, that purchasing a home isn't a regular, everyday purchase. An individual may purchase gasoline every week, or a few times each week. As such, the individual can become relatively knowledgeable about gasoline prices at any given time. That isn't the case with real estate. Real estate tends to move in cycles. In the background section of this brief book, I wrote about my experience of working in markets with appreciating values and I've worked in markets with depreciating values. Working with both buyers and sellers in more than 1,500 transactions really gives me an edge in providing guidance to homebuyers. Indeed, working with real estate transactions is a passion of mine, and because I'm in the trenches every day, I've got a great ear and a great eye for what goes on in the marketplace. I can help clients who are in the market to buy in a seller's market, where the supply for homes is in great demand. The danger of trying to buy a home in a seller's market is actually in losing the home to bidders who will make an offer that exceeds the asking price, as happens frequently in a heated market. I can be the calming presence, helping homebuyers make informed rather than emotional decisions. It's always the client who makes the ultimate decision, as I'm only a facilitator. But I consider it my duty to provide my client's with knowledge of the marketplace so that when they're buying a home in a seller's market, they're making decisions from a position of strength.

Go Ask Sam: What are the best things I can do to prepare my home for sale?

Answer: When prospective clients come to me with questions about listing a property for sale, I am happy to provide insight on steps we can take together to ensure that the property sells at a fair price at the soonest possible time. Unfortunately, some real estate agents try to take advantage of the homeowner's relative inexperience with current market trends by pledging to sell a property at an unrealistic number. The inexperienced homeowner signs up, which ties the house in a listing agreement that doesn't generate any offers. In such instances, after a month or two, the unscrupulous listing agent then suggests bringing down the price to a market rate, giving a great disservice to the homeowner. My reputation of being scrupulously honest with clients has been earned over decades. Rather than promising unrealistic sales-price forecasts, I take steps to show my clients steps they can take to harness the most value out of their real estate. Surprisingly, little steps like fresh paint, landscaping, or just tidying up can yield thousands more during the sale. Sometimes it makes sense to invest a few dollars to upgrade the property before a sale, other times, when the market is hot, it makes sense to list the property immediately. Those types of insights only come with experience. I offer suggestions on steps that homeowners can take to get the highest possible price and to affect the quickest possible sale. More importantly, I back those suggestions up with verifiable market data, showing recent sales prices of comparable homes in nearby neighborhoods.

Go Ask Sam: What are some of the fees I should anticipate when closing a real estate transaction?

Answer: As a rule of thumb, I have found that we need to distinguish between the two sides because the fees are very different for the buyer and the seller. For the seller we can use a ballpark figure of 6 percent for total closing costs with regard to the real estate transaction. Sometimes the seller is asked to pay a portion of the buyer's closing costs but that is really a negotiation point more than a closing cost. The buyer's fees fluctuate more because closing costs relate to financing. Out of pocket fees for the purchaser may include an expense of between $300 and $500 for a licensed home inspector to check out the entire home. That cost should result in a detailed report of what works and what doesn't work inside the home. Besides the inspection fee, the buyer will pay for his appraisal, as it is a function of the loan. The earnest money deposit, typically 3 percent of the selling price, lets the seller know that the buyer is serious about the transaction, especially once the earnest money becomes nonrefundable; that earnest money will be credited to the purchase price of the home when the deal closes. The down payment itself ordinarily amounts to between 3 and 20 percent of the purchase price, depending on the loan. In addition, the lender may charge fees of between $800 and $2,000, which covers costs associated with originating the loan, underwriting the loan, and other fees that I can explain to clarify the transaction for either the buyer or the seller. Most likely, buyers pay those fees at closing. The nice thing is that rather than the buyer paying the fees out of pocket, the lender may roll the additional closing fees into the loan. Again, the lender may roll closing-cost fees into the cost of the loan and amortizes the costs over the duration of the loan. Title/Escrow company fees are driven by the selling price and can vary from $500-$3500, which pay for such services as recording the real estate transaction, document preparation, and other miscellaneous charges that buyers incur when closing on a house. One thing that buyers should notice is that they do not pay a fee to a real estate professional who steers them through the complicated procedures of a real estate transaction. I work with buyers, but it is the real estate seller who pays my commission. Buyers get the benefit of my experience without any cost to them at all.

Go Ask Sam: What can I do to get prequalified for a mortgage loan?

Answer: I've worked with many buyers to help them become prequalified for a mortgage loan. It saves them enormous amounts of time, as when they find the house they want, they can move much more quickly if they've already taken steps to solidify their financing range. With extensive experience in guiding both buyers and sellers through real estate transactions, I have a deep network of lenders with whom I've worked. Before sending a client to a prospective lender, I advise them on steps they may take to prepare for the loan application.

The first step is to gather information such as gross monthly income and total monthly payments, including car payments, credit-card payments, and any other payments due each month. Then the buyer should gather a credit score from the three different credit bureaus. With that information, I can help the buyer figure out specific debt-to-income ratios; clients who have a debt-to-income ratio of less than 33 percent are generally in a better position to prequalify for a mortgage loan.

Once the customer gathers all of the data, he should prepare himself to authorize a lender to pull his credit report. The credit report will show a FICO score, which is an industry-standard document that measures a borrower's payment history. The FICO score calculates the risk of lending by considering several factors, including such issues as length of time on a given job, occupation, length of time at a current address, ratio of balances outstanding to available credit lines, whether an individual already is a home owner, the number of inquiries into a credit history, age, number of credit lines opened in the past, years an individual has had a credit history, and derogatory items such as bankruptcy, debt collections, foreclosures, and late payments. Ordinarily, lenders consider FICO scores above 720 as qualifying for the best available interest rates. Once the lender evaluates all of the criteria, the lender will prepare a letter of prequalification, indicating the prospects for a loan are very good, though prequalification for a loan does not necessarily guarantee a loan. It's just a good place to start.

Go Ask Sam: Where did this concept of "Go Ask Sam" begin?

Answer: That's a great question! The truth is, when a guy accumulates more than 25 years in the business of steering clients through real estate transactions, and he presides on more than 1,500 deals, he becomes the "go-to" guy for others in the industry. I believe in karma, in paying good deeds forward. As I wrote in the earlier section that describes my background, I found that by working hard, people generously assist me in opening new opportunities. For example, once I passed my real estate exam 25 years ago, I found a broker who agreed to let me work part time so that I could begin building my career. Through hard work, I was able to transition from being a technician at Xerox to begin a full-time real estate agent. If it wasn't for consideration I received from the broker who gave me a start, I may still have been working for Xerox rather than enjoying my passion of working with people, steering them through real estate transactions. I paid my good fortune forward by working hard to provide the best service possible. As a consequence of that hard work, I found an opportunity to work as an agent for Freddie Mac, which allowed me to develop more experience, bringing hundreds of REO properties to market.

With all of the experience that I received over subsequent years and decades, I became a real "shell answer man" in the real estate offices where I worked. When agents had questions about complicated real estate challenges, and they looked for guidance, they routinely met the same answer: Go ask Sam!

It wasn't only the newbie's on the block that came to me for advice or guidance. I made it clear that I kept my door open at all times, and I always offered free advice. It was my way of "paying it forward." I'm always willing to help another agent just as I'm always willing to go the extra distance for a client. For me, it's never been about the "What's-in-it-for-me-mentality?" as is the case with so many real estate agents. I love working with real estate and I love working with people. And I sincerely believe that my approach serves the client well, it serves the industry well, and it serves my career well. On more than one occasion, an agent has walked into my office with a potential listing that fell outside of his or her specific area of domain expertise, but I could help. It may've been a multi-family property they needed to list, a restaurant, a gas station, or some other type of unusual transaction that perplexed them. The agents asked if they could pick my brain and collect information that would serve them moving forward. Without hesitation, I always stood ready to help. After all, I knew that by helping others, karma would reward me. It has done so many times over by giving me the joy of working in the industry I love and by allowing me to play a small role in helping others achieve their dreams.

Go Ask Sam: Can you give me an example of assisting another agent on a complicated real estate deal?

Answer: I'm happy to share stories from my career. As I said, I help anyone who comes into my office, whether it's a prospective client, a referral, a new agent, or even a seasoned agent. Cindy, for example, was an agent with more than 30 years' experience of working with homeowners. She walked into my office saying that she had a very unusual situation and wanted my assistance. I asked her to sit down and tell me the situation.

Cindy smiled. Then she told me that she had a friendly relationship with Carlos, a pastor from a Christian church. The pastor needed to liquidate his congregation's real estate holdings. When Cindy sought information from Roger Ewing, our office's broker, he told her how she should proceed. "Go ask Sam," Roger said.

Happy to assist Cindy, I drove over to the church to meet with Pastor Carlos and a team of elders from the church. Wanting to understand their problems and objectives, we spent several hours together over several meetings. I learned that the church had to sell its properties because the demographics of the area had changed, bringing forth a steady decline of patrons and a corresponding steady decline in church revenues from collections.

At one point, the church owned an entire city block. But for the past 20 years, declining revenues required the church to liquidate assets to stay open. All that remained in the church's treasury was the land where the church had stood for more than 100 years, the church building, and a single-family house.

Wanting to help Cindy serve her client best, I agreed to help Pastor Carlos and the church community by investigating possible options. I considered a complicated real estate transaction that would've resulted in splitting the land into two separate parcels. That maneuver would've allowed us to raise financial resources by selling the house while keeping the church. Eventually, we concluded that splitting the land would only be a temporary fix. Instead, we concluded that the best solution would be to sell the entire property for the highest possible price, then relocating the congregation to a location that was more consistent with what the church could afford.

With that end in mind, I investigated further, visiting the municipal agencies to check on zoning restrictions. That research helped me determine the best use of the land and it helped to develop a marketing plan to reach the highest possible bidders. Unfortunately, my research uncovered some disappointing facts. The church had been standing for so long that the zoning laws had changed. Current usage only supported use of the land for residential usage. The church had been operating under a "conditional use permit" that the city granted because people had been worshipping in the church for a century. The city determined that the next owner or user of the building would only have two options. It would have to continue using the structure as a church, or the owner would have to tear down the church and build single-family houses.

I consulted with the pastor over a period of months, weighing our options. In the end, we determined that we could fetch the highest price by marketing the church property for sale as a place of worship for another faith. I researched the area's changing demographics and began making some inquiries about worshipping practices. That work led to my conversations with Swami Bappa in India. His group made an all-cash purchase of the church, which then became a Buddhist Temple. It has become a landmark structure in Van Nuys, breathing new life into a once deteriorating historic structure. Further, I was able to negotiate with Swami Bapa to allow Pastor Carlos and his congregation to continue using the church for a three-month period while Pastor Carlos worked to deploy resources from the sale to establish his new house of worship.

Go Ask Sam: Was working with Cindy and the pastor to sell that church the most complicated real estate transaction you've worked on?

Answer: Working with Cindy, the pastor, and the Swami in India thrilled me. I truly enjoy working with other people and finding solutions that advance their interests. With the case of the church, we were able to achieve that end in ways that made many winners. Pastor Carlos was able to raise the resources he needed to sustain his church in light of changing demographics; Swami Bappa was able to open a new place of worship for Buddhists in the Van Nuys area; and Cindy was able to serve her client well. I enjoyed the opportunity to play a role as an advisor to all parties. Despite the complexities of dealing with municipalities, churches, and temples, I've participated in transactions that were significantly more complex, involving ordinary businesses, like a gas station I sold on a small lot at the corner of Pacific Coast Highway and Willow in Long Beach.

That gas station came across my desk in the same way as the church. Perry, a tenured real estate agent represented a woman who was recently divorced. Part of her divorce settlement included an Arco gas station with an AM/PM mini market on the desirable lot in Long Beach. Perry's client wanted to sell the property and business, but Perry lacked the experience to preside over the sale. When she discussed the issue with Roger Ewing, our resident broker and the owner of Sotheby's in Calabasas, Roger had one answer:

"Go ask Sam."

The Arco property was a big-ticket sale, valued in the millions of dollars. I am not a stranger to transactions involving high dollar amounts, but this deal required extra work. The property had a long history of contamination and cleanup efforts. Making matters worse, the current owner had limited access to records of those cleanup efforts because of contention through the divorce and transfer of title. Further complications included ongoing testing of ground water wells on the site, and problems with documentation concerning underground gas storage tanks and contaminated soils that had been removed previously. Officials at the City of Long Beach had an eye on this once contaminated property and were not eager to clear it for sale.

I succeeded in helping Perry find a buyer of the property who agreed to go into contract. Yet after a year of solid efforts, the City of Long Beach still refused to clear the notice of contamination and clear the title for sale, and it fell out of escrow. Perry and the owner couldn't see anything but problems with this property, but I took on the responsibility of finding a solution. With the end goal of a sale in mind, we took the property off the market so that I could begin a concerted effort to reach out to attorneys, geologists, construction companies, and anyone else who had had involvement with the gas station over the past ten years.

I gathered all of the information and reports, then spent countless hours pouring over those documents and talking on the phone with interested parties, including insurance companies and other gas station owners. I found a document that saved the day. It indicated that Zurich Insurance Company agreed to indemnify the station if it was unable to get traction within the California Super Fund, which was designed solely to assist in the cleanup of contaminated fueling stations, Zurich had indemnified the gas station against litigation related to environmental issues. It wasn't a magical bullet or an immediate solution, as we still had to find a buyer, but the research I undertook brought us one giant step in the right direction.

We listed the property for sale again, and in time, we found a new buyer. With the documentation in hand, we could satisfy the buyer's understandable concern regarding his liability concerning possible environmental litigation. We gave him a manifest for the underground storage tanks, showing that they had been cleaned and were prepared to become a part of the coral reef off the coast of Long Beach. We gave him trucking logs that showed how much contaminated soil the previous owner had removed from the property and showed that he disposed of that contaminated soil in an appropriate way. We also gave him a letter from Zurich Insurance indicating that the California Super Fund was in play and indemnified the site against specific litigation.

Despite all of that documentation that my research uncovered, the buyer needed additional assurances from the Long Beach Water Board in order to satisfy the lender. Yet the Water Board proved resistant to granting such assurances, making financing impossible. I spent a year working with officials from the Long Beach Water Board. After retaining a geologist to monitor and test the groundwater for several months, we were finally able to secure special financing for the buyer from the Small Business Administration.

The sale was by far the most complex of my career, including not only real estate, but also an operating business. I had to negotiate directly with officials at British Petroleum in order to secure their agreement to the sale of the ARCO brand and associated AM/PM Mini mart. It took three years to close, but I appreciated the opportunity to work new angles and provide outstanding service to all parties involved. It gives me a sense of pride to work as a full-service real estate agent, helping in every way possible to find solutions for my clients, no matter how big the problem. The new owner of the gas station was so impressed with my service that he treated my girlfriend and me out to a fancy dinner after we closed the sale.

Go Ask Sam: Have you been able to leverage relationships in ways that create value from your network in the real estate industry?

Answer: I take great pride in the relationships I build. Earlier I wrote about how I'm a big believer in karma. I'm convinced that by looking out for others, the universe will somehow find ways to reward the effort. I'm always eager to pay it forward, which is one of the reasons that I've succeeded in building such an extensive network of professionals. We all come together to help each other.

Joachim Reitman is an example. He was a client I helped in the past and he appreciated the hard work that I did on his behalf. Joachim held a leadership position with Archstone Apartments, a company that managed thousands of apartment units across the United States. They recognized a problem with lost revenues that resulted from tenants who were breaking their leases. Joachim analyzed the problem and recognized that tenants frequently broke leases because they wanted to purchase their own homes.

Joachim spoke with me about the problem and invited me to work with him in finding a solution. No problem. I'm the solutions guy! I worked together with Joachim and his team at Archstone for six months, and we designed a program called "Rent to Home." In a nutshell, the program would allow Archstone tenants to break their leases penalty free so long as they used a realtor that Archstone recommended when they set out to purchase a home. I became the go-to real estate agent that Archstone used whenever one of the Archstone tenants expressed an interest in breaking the lease so that he could purchase a home. In exchange for a steady flow of referrals, I paid Archstone a referral fee for each customer that came my way and closed on a home purchase.

That solution was a real win-win for all sides, facilitated because of the extensive network I build over decades in the real estate industry. Archstone benefited because instead of losing all revenues that resulted from broken leases, it could capture a portion of that revenue through referral fees. Further, Archstone benefited by being able to offer prospective tenants an exit clause from their lease, which differentiated the company from other landlords, giving it a competitive advantage with tenants. Joachim benefited because his ingenuity in coming up with the "Rent to Home" marketing blitz advanced his career. Tenants benefited because they had options that did not previously exist. Other real estate agents benefited because we received a steady flow of referrals from Archstone. My career benefited because I developed a massive referral network that fed sales throughout Southern California. All of those contacts represent resources I can draw upon to provide better service to my clients.

Go Ask Sam: Are referrals the key to your business?

Answer: Absolutely. I am in business to serve my clients, and it's really important that I work with them in ways to earn their trust. I consider it a great privilege to represent people through their real estate transactions because the deals can be so central to the lives of my clients, involving not only high dollar amounts, but also involving assets that have become or will become extensions of their identities. We frequently see ourselves through the properties we own. That's why I try to provide such personal service. I show that I respect my client's time by arriving at meetings early, dressed professionally. I reveal anything that may be of interest about my personal life with hopes of easing lingering anxieties clients may have about opening up to me. The more I know about the people I represent, the better I can serve them. I bring them data that helps them understand market conditions, both generally by showing the transaction histories of properties in the area, and specific information that elaborates on the piece of real estate that interests them. I listen to their needs and discuss their aspirations. All of those efforts at providing personal service opens the possibilities for lasting relationships. That way, when they have need for a real estate agent again, they think of me. When they know of a friend, or a loved one who can use the personal services of a real estate agent, they think of me. My business thrives on referrals, but those referrals do not materialize by accident. I understand that I must earn referrals, and I try to earn that referral by respecting my client.

My referral network runs in many different directions. Obviously, it begins with my responsiveness and attentiveness to my client's needs. If I did not serve my client well, I wouldn't be able to nurture a good relationship. And I'm proud that in 25 years of serving the real estate industry of Southern California, I've never had a single customer complaint.

By serving my clients well, they helped to expand my business through introductions to others who needed representation in real estate transactions. In addition, however, my past clients have grown my network by referring me to other professionals who work with them in unrelated disciplines. For example, past clients have introduced me to numerous people in the financial services industry. Accountants who advise people on tax planning or asset diversification have recommended clients work with me when they became interested in acquiring or liquidating real estate. Attorneys, business managers, celebrity agents, and even other real estate agents have all become part of my growing referral network that I continuously cultivate. They feed my business, and I consider it my duty to prove worthy of that trust. When they refer clients to me, they're putting their own name on the line. Because of that trust, and because of my commitment to excellence, I am determined to provide the best, most personal service possible. That strategy helps to grow my referral network.

Go Ask Sam: How has your expertise helped others develop their own careers in real estate?

Answer: As I've said so many times before, I truly believe in karma and in paying it forward. That's why I'm always eager to help others. One of my greatest sources of joy is watching the success of others and doing all that is within my power to encourage others to grow and reach their highest potential, whether it's in real estate, other careers, or in any aspect of people's lives.

With regard to real estate, I'm exceptionally proud of my sister, Loraine and her husband Tim. They are just remarkable people, thriving in a real estate practice they built in Albuquerque, New Mexico that followed the same principles I used earlier in my career as an REO specialist. I cannot take any credit for their incredible success, as it was their hard work and uncanny ability to spot opportunities that furthered their success. They created a situation that opened an opportunity to connect with an asset manager at Freddie Mac. I was so enthusiastic about their new relationship, and I shared everything I learned over the course of my career about dealing with bank-owned properties. Tim and Lorraine then worked together to expand their representation of

REO properties. They now have working relationships with nearly every lender on the planet, including Fannie Mae, Freddie Mac, Chase, Wells Fargo, Indymac, in addition to countless other lending institutions. Their REO business closes nearly 200 deals a year, making their practice one of the most successful real estate businesses in all of New Mexico measured by volume of sales.

Go Ask Sam: What would you say distinguishes you from others who work as real estate agents?

Answer: I don't know if it distinguishes me, so much, but I've learned one huge lesson about real estate (and life) through the course of my career. I think that lesson personifies me. ***People don't care how much you know until they know how much you care***. By working on more than 1,500 real estate transactions, I can honestly say that I know as much or more about buying or selling real estate than other agents in the marketplace. Indeed, I've seen thousands of deals of various types; I've encountered and fixed problems that most real estate agents will never encounter. I've dealt with people who have enormous wealth and I've represented people of modest means. I've worked with large, publicly traded institutions like Freddie Mac or Archstone Apartments, and I've represented small business owners who needed to buy or sell restaurants, gas stations, or strip malls. The common thread behind each of those transactions is that I care about people, and I bend over backwards to make sure that clients I represent receive honest, exceptional service. That is my brand.

Go Ask Sam: Do you have any advice that might be specific to first-time homebuyers?

Answer: I love to work with first-time homebuyers. They bring such a positive energy and their spirit rejuvenates me. I appreciate opportunities to guide them, to help them find the home that is going to be perfect for them at an early stage of their lives.

Many first-time homebuyers come to me with aspirations of buying their dream home, which is fantastic and amazing and I assure them that together we can achieve their goals. Through the course of our work together, I point out that a first home can be a great home to build memories in and begin the journey through life. Many begin their families in the first home, but in time, they outgrow the home and search for properties where they can build new dreams, upgrading along the way.

As a real estate agent who has represented hundreds of first-time homebuyers, I use the analogy of a ladder to help my clients understand the vision of building a real estate portfolio. Buying the first home is like climbing to the first rung of a ladder.

It's a necessary step, but to complete the journey, there are frequently many more rungs to climb.

Despite the tumult we've seen in the market over the past several years, historically, real estate appreciates over time. In fact, over the long term, real estate has proven to be an excellent investment, not only for lifestyle happiness but also for financial appreciation. In addition to the likely financial appreciation of the real estate value, as first-time buyers mature in their careers, their income levels increase, or they find that they have different needs. The property that serves as a dream home early in a couple's journey may become a memory as they search for new dream homes to meet the needs of a growing, maturing family. I want to represent all of their real estate needs going forward, not only for the acquisition of their first dream home, but for the later sale of that dream home as they continue to climb the real estate ladder, purchasing new dream homes along the way.

Go Ask Sam: Are you able to provide services to business people who want to purchase real estate for investment purposes?

Answer: Absolutely! I am able to help with any and all real estate needs. In fact, although I specialize in working with people who want to purchase or sell their own homes, my experience of working on thousands of real estate transactions gives me a unique knowledge about real estate investment opportunities throughout Southern California. Not only have I lived in the San Fernando Valley my entire life, for more than 50 years, but I've built my entire career here.

That experience makes me the equivalent of a walking Thomas Guide. I know most every street in the Valley. Not only do I know every street, I know how addresses correlate to specific block locations. That information can prove extremely valuable to people who want to purchase real estate for investment purposes. My intimate knowledge of real estate locations translates into an intimate knowledge of market trends and market values.

I've used that expertise repeatedly to help builders, or people who want to purchase rental properties. In fact, I've felt so strongly about real estate trends that I've become an investor myself, locating promising areas and then working with others from my network to buy properties, expand or improve upon them, then sell those properties again into an appreciating marketplace. The depth and breadth of my experience makes me the go-to guy when an investor has an appetite for real estate properties. In addition to providing investors with historical data on a specific property, which anyone can provide who is willing to put in the work, I can also provide insight with regard to which businesses are moving into the area, changing demographics, bus routes, shopping availability, employment rates, industry trends, school systems, community support, income levels, and just about anything he wants to know.

My in depth knowledge of specific real estate locations and trends can prove of immense value to those who want to purchase real estate for investment purposes.

Go Ask Sam: Are you able to advise people with regard to financing properties?

Answer: What I'm an expert at is working with people, and because I've worked with thousands of people who are in the market for real estate, I develop all types of insight with regard to every aspect of a real estate purchase. Ninety-nine out of a hundred times, some type of bank or mortgage financing is a part of a real estate transaction. It's comparatively rare for people to purchase real estate for cash, but it's common for people to tap banking or financial institutions for assistance with their real estate needs. Since I work with so many people, I learn a great deal about the lending cycles of banks or other mortgage lenders. As a full-service real estate professional, I'm always more than willing to share what I know with my clients.

During the recent real estate downturn, for example, I saw a trend in the financial industry. Many lenders were tightening up with regard to their willingness to lend. They were tightening up equity lines and in an increasing number of cases, they were closing those equity lines completely.

Now in the real estate market, homeowners frequently tapped into their home's equity to secure additional funds. Banks were willing to extend credit lines that were secured by real estate. Since the real estate secured the loans, banks would lend the homeowners funds at a comparatively low rate. Those resources could help homeowners pay down credit card debt or other high-interest debt, or even to use as a down payment when they wanted to purchase new real estate.

But as the market turned, banks began to close off those equity lines. I pointed out that trend to one of my clients who wanted to purchase a second home. He told me that he intended to use an equity line secured by his current home to make the down payment.

“If you’re going to make that play,” I advised, “you’d better act quickly.”

“Why’s that?” My client didn’t see the rush.

“I’ve seen the trend,” I explained. “The banks are becoming more restrictive, less willing to lend against equity lines. If you have an equity line that you can draw from, and you want to tap into it for the down payment on a second home, you should withdraw the money now and place it into a savings account with another bank. That way you’ll have the money ready to use when you find the right opportunity.”

Rather than taking my advice, my client checked with his banker. The banker assured my client that he was a valued customer and that his equity line was safe, ready to use at his discretion. Two months later he located the property he wanted to buy. We made a move to put the property into escrow. Yet when he went to access the down-payment funds, he learned that the bank had frozen his equity line.

My client was devastated, because without the equity line, he wasn't able to move forward with the new purchase. The good news was that the experience convinced my client that I had excellent resources that extended beyond the domain of real estate sales. And that experience helped us solidify a long-term relationship. Indeed, he was the client from Archstone Apartments who called me with the opportunity that we turned into the Rent to Home gig.

Go Ask Sam: What are the rules of a 1031 real estate exchange?

Answer: That's a great question, but let me begin with a brief outline of the 1031 exchange. Section 1031 of the Internal Revenue Code (IRC) offers a great opportunity for real estate buyers to defer the capital gains tax liability associated with the sale of a business or investment asset. The 1031 exchange ensures the maximum return on investments to people of all financial backgrounds. To qualify for 1031 "like kind" property exchange benefits, the entire transaction has to be done in accordance with the detailed rules, regulations and compliance issues set forth in the IRS tax code.

A property transaction only qualifies for a deferred tax exchange if it follows the 1031 exchange rule laid down in the US tax code and the treasury regulations. The foundation of the 1031-exchange rule by the IRS is that the properties involved in the transaction must be identified as being "like kind." Also, both properties must be held for a productive purpose in business or trade as an investment.

Go Ask Sam: What about timelines or other rules associated with the 1031 exchange that I should know about?

Answer: There are 2 timelines that anybody going for a 1031 property exchange should abide by and know. The first concerns the Identification Period, which is the crucial period during which the party selling a property must identify other replacement properties that he proposes or wishes to buy. It is not uncommon to select more than one property, and I can always help with that. It’s a 45-day timeline, and the exchanger must abide by it under any and all circumstances because it’s not extendable in any way, even if the 45th day falls on a Saturday, Sunday or legal US holiday. The second rule concerns the Exchange Period, within which a person who has sold the relinquished property must receive the replacement property. The Exchange Period ends at exactly 180 days after the date on which the person transfers the property relinquished, or on the due date for the person's tax return for that taxable year, whichever situation comes first. So it's complicated, and that's why sellers who want to pursue a 1031 exchange need expert guidance, and I can provide it.

Go Ask Sam: Are those all of the 1031 Exchange rules?

Answer: No, the IRS doesn't have any shortage of rules! The 1031-exchange rule also lays down a peculiar guideline for the proceeds of the sale. The proceeds from the sale must go through the hands of a kind of specialist known as a "qualified intermediary (QI)" and not pass through the seller's hands or through the hands of one of the seller's agents. If the seller violates this fundamental rule, all the proceeds of the sale become taxable. Further, the seller must reinvest all of the monetary proceeds from the original sale towards acquiring the new real estate property. Any cash proceeds retained from the sale are taxable.

The second fundamental IRS rule of the 1031 exchange requires that the replacement property must be subject to an equal or greater level of debt than the property sold. If it doesn't, the buyer will be forced to pay the tax on the amount of decrease. An alternative would be for the purchaser to put in additional cash to offset the low debt amount on the newly acquired property.

Go Ask Sam: What does the QI in a 1031 exchange do and why does the IRS require a QI?

Answer: I can't answer the specific reasons why the IRS does what it does, but I can answer the question by describing the ways that the IRS defines a Qualified Intermediary, or QI. In 1031 real estate exchanges, a QI is an independent and professional facilitator who receives the funds. He handles the funds from the original sale and holds the funds until they are needed to purchase the new exchange (replacement) property. The Qualified Intermediary then directly delivers the money to the closing agent who then, in turn, delivers the deed directly to the real estate investor himself.

Go Ask Sam: But what does the QI do with the funds?

Answer: A Qualified Intermediary is responsible for performing the following activities in a 1031 Exchange:

- Acquiring the Relinquished Real Estate Property from the taxpayer himself.
- Transferring the Relinquished Real Estate Property to the buyer himself.
- Acquiring the Replacement Real Estate Property from the seller himself.
- Transferring the Replacement Real Estate

Property to the taxpayer himself.

The Qualified Intermediary can actually perform all these tasks without ever taking title to either of the properties, but the QI is responsible for properly filling out the appropriate tax forms for the client. In a typical exchange, the Qualified Intermediary typically provides three different documents.

1.! The first is the exchange agreement. The 1031 exchange agreement is a contract between the client and the Qualified Intermediary that sets out the rules and guidelines. Both parties must follow the rules and guidelines in order to complete the 1031 exchange.

2.! The second is an assignment. The assignment of the "sales contract" to the Qualified Intermediary must also be in place. This is in place because, in theory, the Qualified Intermediary steps into the client's position and sells the property.

3.! The third is known as a notice. It notifies the party on the other side of the transaction that the transaction is indeed a 1031 exchange. The purpose of notification to the other party is to prove, without doubt, that the 1031 exchange was in place at the closing.

Go Ask Sam: That QI process sounds complicated. Do you guide sellers on how to proceed?

Answer: Of course! I'm a full service real estate agent, eager to help my clients in every way possible. And the 1031 exchange does have its share of complications, but I'm happy to help, and it's important that I do so because experience convinces me that there are some disreputable people who offer services as Qualified Intermediaries. An exchanger must be particularly aware of selecting a knowledgeable (QI) before going into the transaction. Over the course of my career, I've heard many horror stories about Qualified Intermediaries who lacked the necessary insurance, financial backing, bonding, transactional structure, and internal safety controls that should be required of them. Even most exchange funds are often grossly under-insured, under-protected, and are at risk. In today's risky economic climate, choosing a financially secure, 1031 (QI) with the financial strength, resources, safeguards, and financial backing is critical for the safe completion of a 1031 "like-kind" exchange transaction with a reputable QI. I can help because I've worked with clients on 1031 exchanges many times before.

Go Ask Sam: I know you're an expert with residential property, but do you have any experience in working with commercial property?

Answer: Of course! A man can't work in real estate for 25 years and not have experience in every type of real estate transaction.

Go Ask Sam: What should I be aware of if I want to purchase a piece of commercial real estate?

Answer: Well there's a lot to consider, but business owners who want to purchase a piece of commercial real estate for business operations should start with the basics. As with any major purchase, it's important to understand the potential risks. Here are some of the potential risks a business faces when buying:

- Locations can be trendy. That's an important fact for business owners who require a lot of foot traffic, like restaurant owners or nightclub owners or retail establishments. What might be a hot area today might not be so hot in months or years to come. Of course the reverse can be true also.

- Loss of liquidity. Businesses that purchase real estate can tie up much needed capital in the property, which stifles their ability to grow the business. It's not always easy to sell real estate, particularly in a slump. At the same time, businesses that own real estate at least have something to sell if they need a cash influx to revive a lagging business, as was the case with the church I sold to the Buddhist temple in Van Nuys—although that wasn't technically a business, it was still a piece of commercial property.

- Commercial properties depend upon cash flow, and if there are commercial tenants involved, that cash flow can be risky. When times are tough, tenants may choose to meet payroll or pay suppliers before they pay the landlord. It can challenge the underlying business of the owner, or distract him. So there are some risks.

When advising people in commercial real estate transactions, I always advise that the decision should come down to economics. It's a different equation from buying a house, but I'm ready to guide buyers through commercial real estate transactions as well.

Go Ask Sam: If I do want to buy a piece of commercial real estate for my small business, do I apply that same principle of location, location, location?

Answer: Location certainly plays an essential component with regard to any real estate transaction. Business owners want to be close to their customers. They want locations that meet the needs of their employees, vendors, and suppliers as well. So location is crucial. For some businesses, it's not only crucial to be convenient for customers, but access to rail, highway, or even shipping lanes can be important for some businesses.

Besides location, business owners who want to purchase real estate should consider how the property was used in the past. Wear and tear on a commercial property can be excessive, and repairing commercial properties can add huge costs onto the purchased property. Also, with commercial property, it's essential to consider environmental issues or potential liability issues, such as asbestos or lead paint or in the case of the Arco gas station contamination to the soil and ground water from spilled fuel.

Business owners must also make sure that the property they intend to purchase meets community standards for allowable use. Professional firms may require zoning for commercial office space; manufacturers may require industrial space zoning. Those zoning laws aren't etched in stone, but modifying the zoning regulations can consume considerable amounts of time and money.

It's also important to ensure that the commercial property meets all municipal regulations. Some areas may be designated as historic and not allow any types of modification to the building's exterior.

Those rules may determine what type of signage the building owner can use to advertise his business. Consideration should be given to parking, and to accommodating laws such as Americans With Disabilities Act.

Go Ask Sam: Can you help me understand how to buy commercial property as an investment?

Answer: Investors frequently buy commercial property with the intention of finding tenants who will lease space in the property. The income that flows from the lease can pay the ongoing expenses of the property, including debt service. But there are different kinds of leases, and they have different terms.

Go Ask Sam: What are the most common kinds of leases for commercial property?

Answer: In the real estate industry, we frequently define leases with the word "Net," as in a "net lease," a "double net lease," or a "triple net lease."

Go Ask Sam: What are the differences between each of those kinds of leases?

Answer: A net lease, also known simply as an N lease, is when the tenant is responsible for paying the actual rent agreement, but also for paying the property taxes. It's not a common form of leasing, as most commercial property owners prefer the double, or triple net lease. In a double net lease, also known as a net-net, or an NN lease, the tenant pays the actual rent, but he also pays the real estate taxes and the building's insurance costs. The landlord covers the cost for repairs or common area maintenance. The most common type of lease in the commercial real estate market goes even further, with the triple net lease, also known as the net-net-net lease, or an NNN lease.

Commercial real estate investors with whom I've worked prefer the NNN lease agreement because it requires the tenant to cover pretty much all costs associated with the building. The tenant pays the rent, and in addition, the tenant pays all real estate taxes, maintenance, and building insurance. Those are "the three nets." Besides rent, taxes, maintenance, and insurance, the tenant also pays costs associated with repairs to the building or property. Because of all those costs, NNN-lease rates are usually lower than the other types of lease agreements. Landlords seek NNN leases because they reduce overhead costs and give the owners a fixed income each month that they can depend upon. Sometimes, lenders require NNN leases as a requirement for loans against the property.

Go Ask Sam: What should I know about buying rental properties?

Answer: Rental properties can be great investments. I own several rental properties myself, and I'm always eager to help investors begin the path toward becoming landlords. Let me share some insight from experience.

- Management: Consider whether you intend to manage the rental property yourself as a landlord or whether you intend to hire someone else to manage it. If you intend to actively manage, don't buy a property that is too far away from where you live. I've owned rental property as far away as Las Vegas, and that requires too much work to manage. For investors who intend to hire a management company to look after the investment, proximity to the property may not be as crucial. That said, fees associated with property management companies eat into expected cash flow, which is one of the reasons for buying rental properties.

- Neighborhood: The makeup and quality of neighborhood is going to influence the types of tenants you attract and how often you face vacancies. If you buy a rental property in an affluent area, you may increase the chances of finding a tenant who is a professional with stable employment. That type of tenant may stay for many years. On the other hand, if you buy a property near a university, you may expect to have vacancies during the summer, and you may want to anticipate more wear and tear on the property. If you buy a property in an area where unemployment rates are high, you may find yourself burdened with vacancies and abnormally high repair cost related to transient tenant expenses. Consider these factors when determining your investment into the world of properties.

- ! Property Taxes. As an investor in rental properties, it's important to understand as much as possible about property taxes. Since I'm so well versed in Southern California real estate, I can help. But property taxes are not standard across the board. If you're an investor planning to make money from rental income, then you want to be sure you're aware of how much you'll pay in taxes. High property taxes aren't necessarily a bad thing. For example, property taxes in Santa Monica may be higher than some surrounding cities, but the neighborhood is well maintained and an excellent place for long-term tenants. I can help investors get a feel for what to expect with regard to property taxes, and they should take those expenses into consideration when evaluating an investment in rental properties.

- Schools. I've not only owned my share of rental properties, I've also represented buyers and sellers of rental properties on more transactions than I can count. A common thread that connects all owners of rental properties is that we all want tenants. And since tenants may have children or plan to have children, owners need to take proximity to decent schools into consideration when making an investment decision. If the school has a poor reputation, rental prices will suffer.

- Crime. I always advise my clients to consider crime rates when contemplating an investment in a rental property. It's tough to find a tenant for a property that is close to a high crime area. Checking crime rates is easy enough, and since I know Southern California so well, I'm capable of offering guidance. But the police station or public libraries are also excellent sources for accurate crime statistics in various neighborhoods. Buyers want to inquire about vandalism rates, serious crimes, petty crimes, and whether recent criminal activity has been on the rise or slowing down. It's also good to know about police presence in the neighborhood.

- Jobs. It's always good for an investor to know something about the job market in the community where he is searching to buy a rental property. A neighborhood with more jobs available may attract more prospective tenants, which is great. When presenting data for my customers who are in the market for rental properties, I direct them to statistics from the U.S. Bureau of Labor Statistics, available on line or in the library. A little research can go a long way toward finding areas where a major company may be moving. And when big companies come to town, workers flock to the area.

- Amenities. If a client tells me that he's interested in purchasing a rental property, I suggest we look in areas where public amenities may attract good tenants. For example, investors should look to purchase in neighborhoods with proximity to public parks, shopping malls, movie theaters, public transportation hubs, and all of the other perks that may attract renters.

- Building Permits and Future Development. I know as much as anyone when it comes to Southern California real estate, but I also know that I can always learn more. That's when I frequently check with my contacts at the municipal planning department. They can give me information on all of the new developments that are coming, and give me a heads up on any changes to zoning laws. That's valuable information for the rental market. If an area will soon have new condos, business parks, or malls, it's a good sign that the rental market will heat up.

- Rents. As investors, we buy properties for the purpose of realizing a good return. That why rental-property investors should have a good idea about average rents and vacancy rates in a given area before buying. If the average rental income each month isn't going to be sufficient to cover the mortgage payment, taxes, and other expenses associated with property ownership, then the investor needs to take that into consideration. I like to forecast how values in the neighborhood will change over the next five years. Sometimes it's okay to absorb a negative cash flow each month in the beginning if it looks like higher rents will be on the horizon.

Go Ask Sam: What type of tax deductions might be available for landlords of rental properties?

Answer: There are many reasons to invest in rental properties, but one benefit potential investors sometimes overlook is the gain that can come from tax savings. With tax rates on the rise, it always makes sense to defer or deflect income to lower tax obligations. In addition to helping buyers and sellers come together in real estate transactions, I've been a real investor for many years. So I know quite a bit about how owning rental properties can prove beneficial to long-term stability. Although it will be important for investors to consult with a professional tax advisor, let me provide some insight from my own experience regarding tax deductions.

- **Interest**. Interest is often a landlord's single biggest deductible expense. Common examples of interest that landlords can deduct include mortgage interest payments on loans used to acquire or improve rental property and interest on credit cards for goods or services used in a rental activity. Since lenders load interest payments more heavily during the early term of a loan, an investor in rental properties gets some enormous deductions that he will appreciate at tax time. In many cases, those deductions can play a pivotal role in dropping the taxpayer from one tax rate to a lower tax rate.

- **Depreciation**. Landlords get the benefit of being able to deduct a portion of the cost of the rental property they own over several years. That's a huge advantage. Because although in all likelihood the property is appreciating in value, the landlord gets the tax benefit of being able to say that the property is depreciating in value. To put it in simple, hypothetical terms, take a $200,000 rental property and use a straight-line depreciation on the property over 20 years. The landlord would be able to claim a $10,000 tax deduction from his income every year. If his taxable income was calculated at $100,000, with the above example, he would instantly reduce that income to $90,000 because of the depreciation deduction. Add that depreciation deduction to other tax advantages associated with owning rental property and it becomes easy to see why real estate is such a wonderful investment to create family wealth.

- **Repairs**. Another great way to shield income from tax while simultaneously building wealth through real estate is through repairs. Landlords can fully deduct the cost of repairs to rental property during the year in which they incur the expense. Good examples of deductible repairs include repainting, fixing gutters, fixing floors, fixing leaks, plastering, and replacing broken windows. What does that mean in practical terms? Well, if an investor wants to deploy some of his earnings into his real estate, he may deduct whatever it costs him to make repairs from his income. It allows him to win because while appreciating the value of his property, he is lessening his tax obligation on regular earnings.

- **Local Travel**. Landlords can use local travel as a tax deduction, which is a wonderful benefit. Whenever they drive for the purposes of managing their rental property, they can deduct the costs associated with that travel. For example, I'm a landlord who owns rental properties, both single family units and multi-family units. Whenever I drive to one of my rental properties for the purpose of an inspection, or drive to the Paperny's Paintcraft Supply and Ace Hardware at 2620 Crenshaw Boulevard, I deduct the travel expenses. I can either deduct my actual expenses, including gasoline, upkeep, repairs, or use the standard mileage rate. For the year 2013, I'm able to deduct 56.5 cents for each mile I drive. Check with your tax advisor to inquire about details regarding mileage rate deductions, but they are great tools to leverage more gains from real estate investments.

- **Long Distance Travel**. Another benefit of owning rental property is that you can deduct airfare, hotel bills, meals, and other expenses if you're traveling for the purpose of managing your rental activity. I once owned a rental property in Las Vegas, and by planning my trips carefully I could mix landlord business with pleasure. Whenever trips contributed to the advancement of my rental income, I kept meticulous records that would authorize me to deduct expenses.

- **Home Office**. Landlords require an office to manage affairs, and if that office is in the home, then the landlord may deduct expenses associated with the office from their taxable income. This deduction applies to space devoted to office work and to workshop or any other space you use for your rental business. It's important to speak with a tax advisor, but don't underestimate the value of these deductions. I worked with some landlords who have so many tax deductions that by the time they add all of the deductions together, they don't owe any income tax at all.

- **Employees and Independent Contractors**. As a landlord, I frequently employ handymen or independent contractors to help maintain or improve my properties. I've been working with these types of service providers for decades, since those early days of my career when I worked with the Freddie Mac REO properties. I deduct every dime I pay to people who assist with my rental property, and I know those deductions help whenever it's time to file taxes.

- **Insurance**. Insurance premiums may be a pain to pay, but at least with regard to rental properties, investors may deduct the money paid for those premiums from their income tax filings. The deductions will include payments made on insurance for fire, theft, flood, as landlord liability. If you employ people to work on your rental properties, you may deduct the cost of their health and workers' compensation insurance as well. It's important for investors to keep accurate records, because every deduction adds value to the property when considering the rental as an investment vehicle.

- **Legal and Professional Services**. Another tax deduction that investors in rental properties don't want to miss includes the fees paid for legal and professional services. Investors may deduct fees paid to attorneys, accountants, property management companies, investment advisors, and other professionals. Those fees amount to operating expenses if the investor is paying for professional services related to the rental property.

In summary, rental properties represent a great way to increase exposure to real estate investment. And the tax advantages associated with real estate can make the investment even more lucrative. Those who want to know more have a simple solution: Go ask Sam!

Go Ask Sam: Do you have any experience in advising on multi-family properties?

Answer: Not only do I have experience on advising buyers and sellers on the subject of multi-family properties, I have experience as an owner of multi-family properties. Multi-family properties can serve an investor well, but owning them is fundamentally different from owning a single-family house, either as an occupant or as a rental unit. With multi-family properties, an individual is making an investment and in many ways, running a small business, or a large business. I have purchased buildings that were abandoned and had 100% vacancy rates. I acted as the onsite project manager to oversee a complete renovation on them. I brought the building back 'online" filled it to capacity with tenants paying market rents and sold the building for a healthy profit. I'm happy to work with clients who have an interest in multi-family properties.

Go Ask Sam: If I want to venture into the business of owning multi-family properties, how would I go about determining how much to pay?

Answer: Multi-family properties differ from residential properties because, as I've mentioned earlier, they are more like businesses. As such, investors attach a value to multi-family properties, ordinarily, in one of two ways. One valuation model is known throughout the industry as the "cap rate." Another way of valuing multi-family properties is to use the "gross rent multiplier" approach. Both types of valuation assess a building's income potential. Ultimately, of course, any investment is only worth what the next buyer is willing to pay. But the industry standard for placing valuations on multi-family properties is to use either the cap-rate approach or the gross-rent-multiplier approach.

Go Ask Sam: What does cap rate mean?

Answer: As I said, the cap rate is a term we use in the industry to put a value on multi-family properties. It's a rather a simple way to provide a snapshot valuation of a property, kind of like the way investors in publicly traded companies look at the Price-to-Earnings ratio, otherwise known as the P/E ratio. With the cap rate, an investor begins with the annual net operating income before taxes. Then he divides that number by the purchase price, or market valuation that he is trying place on the property.

To give a simple example, let's say that an investor bought a ten-unit apartment building for $1.2 million. For the purposes of this exercise, let's say that those ten units earned $120,000 a year in net income. By taking the $1.2 million that the investor paid for the property, and dividing that purchase price by the $120,000 in net income the property generates, we can see that the investor received a yield of 10 percent on the investment, which is pretty darn good. The cap rate, then, would be 10.

On the other hand, if those same ten units only generated $100,000 per year in net income, but the investor paid the same $1.2 million, the investor would only be receiving an annual return of 8.3 percent. We would calculate that investor's cap rate at 8.3. The cap rate provides the investor with an opportunity to evaluate or assess different investment-grade properties in accordance with the return on investment. It's one way of evaluating an investment property in purely economic terms, and comparing that investment with other potential investments. A lower cap rate means a lower yield on the overall investment, whereas a higher cap rate means a higher yield on the overall investment.

Go Ask Sam: And what is the difference between a cap rate assessment model and a gross-rent-multiplier assessment model?

Answer: Both the cap rate approach to valuing a property and the gross-rent-multiplier approach to valuing a property take a look at the property from a purely economic standpoint. With a gross rent multiplier, however, we don't have as much total data, which makes it a less reliable indicator. Some investors use the GRM as a simple and quick way of determining the value for smaller apartment buildings, usually of about two to four units. Investors can determine the GRM by taking the sales price and dividing that number by the potential gross income rather than the net income of the property. The outcome of the equation represents the GRM, but it's not as accurate as a cap rate valuation because the GRM doesn't take into account operating expenses nor vacancy rates. The GRM, then provides a ball-park figure for the property's value, but it's a good place to start, leaving investors with a quick snapshot view to determine whether more analysis is warranted.

Go Ask Sam: What do I want the numbers to be, high or low, when I'm looking at cap rates and Gross Rent Multipliers?

Answer: They are two different metrics, but both skilled investors use both measurements in their own ways. When you ask whether you want a high or a low number, that depends on whether you're buying or selling. When you buy a property, you want a cap rate that is as high as possible, because the cap rate represents the yield on your investment. But when buying, you want a low gross rent multiplier, because the multiplier represents the amount times gross rents that you'll have to pay for the property. So remember, cap rates equal your yield on investment, but gross rent multipliers represent the amount times rent that you'll pay for the property. You want a lower multiplier when buying the property.

When selling the property, on the other hand, you want just the opposite. You want to sell your property with the lowest possible cap rate, because that will give you the highest possible price on your property. If you can persuade a buyer to accept a three-point cap rate, that means he will be agreeing to accept a 3 percent yield on his investment. There may be reasons for him to do so, because of the building's prestige or proximity to his other businesses, or whatever. The bottom line is that a low cap rate on the building means that the seller has to pay more money to the seller for the property. If using the GRM, the seller wants to have as a high of multiplier as possible. Because the high GPM means the buyer will be willing to pay a premium on the possible rent for the privilege of buying the property.

Just remember, as the cap rates go up, the GRM goes down, and vice versa.

Go Ask Sam: Can you tell me some other ways to put a value on multi-family properties?

Answer: As with any investment, buyers and sellers can use any number of metrics to arrive at a valuation. If I've learned one lesson over my 25-year career of bringing buyers and sellers together, and of investing my own resources in real estate, I know that any investment, regardless of the type, is only worth what the next buyer is willing to pay for it. Markets change. Prices change. A property that may be worth $1,000,000 in a tight market may only be worth $500,000 when there is a plethora of property available.

All types of factors can influence those prices. If interest rates are low and money is easier to borrow, that money supply influences real estate prices. Why? Because when lenders make money available to borrow for investment purposes, more buyers can come into the marketplace. That was what we saw during the real estate bubble that built up during the early 2000s. Likewise, when banks began tightening restrictions on the availability to borrow money, there were fewer people in the marketplace who had the capacity to access financial resources. The fewer number of buyers resulted in sellers having to liquidate properties at prices that were lower than during more liquid times.

When determining the valuation of an investment-grade property, an investor can use any number of tools to ensure that he is comparing apples with apples. As I discussed previously, two common valuation approaches for investment-grade real estate include the cap rate and the Gross Rent Multiplier. But other metrics include the cash return on investment, or cash-on-cash, and the Net Return on Investment, or NOI.

Go Ask Sam: What distinguishes a cash-on-cash metric from an NOI metric?

Answer: Again, investors have many tools at their disposal to help them determine which investment they're considering will serve their interests best. It's like seeing interest rates that banks are willing to pay for Certificates of Deposit. Some banks pay higher rates than others. But those rates don't tell the entire story for the investor. An investor may have valid reasons for choosing to purchase a CD with a lower rate of return than another bank offers. The same goes for investors who want to purchase multi-family apartment buildings. They want to look at the entire picture. Both cash-on-cash and NOI measurement tools help him evaluate the investment.

With NOI and cash-on-cash measurements, the investor is looking to figure out his total return on investment, or ROI. Cash-on-cash return is the total cash flow divided by the total money invested. Net operating income is the income received without the operating expenses being included, and without the debt payment included.

As an example, let's say that an investor purchased a building for $1,000,000 and put $100,000 down. Closing costs on the building amounted to 3.5 percent, or $35,000. So the total cash investment to purchase the building was $135,000. Let's say the building had 10 units, each of which rented for $1,500 each month. It would generate rents of $15,000 per month. But expenses associated with operating the building would amount to $7,000 per month, leaving a net operating income of $8,000 per month. But debt service on the $900,000 mortgage, with principle and interest, would result in payments of $6,000 per month. That leaves a cash flow of $2,000 per month. Over the course of a year, the total cash flow would amount to $24,000. To arrive at the NOI, the investor divides the $24,000 per year by the $135,000 invested. He ends up with an 18.8 percent cash-on-cash return on investment.

The cash-on-cash return considers the ratio between the cash left over after debt service when contrasted against the owner's equity, or invested capital. Now the cash-on-cash ratio differs from the

NOI ratio because the cash-on-cash does not include such non-cash expenses as depreciation. Investors like to look at the cash-on-cash return because it gives them a relatively clean picture of how they are putting their money to work.

Go Ask Sam: What do investors mean when they talk about syndication in real estate?

Answer: That's a great question for someone who is contemplating investments in commercial real estate. I specialize in residential real estate, but over 25 years, I've helped buyers and sellers of commercial real estate transactions on numerous occasions. Some investors who want to participate in real estate investing don't have sufficient amounts of capital to participate in the types of deals that appeal to them. For example, everyone has looked through the business section of a newspaper and read about real estate transactions that involve millions of dollars. Many of those deals involve syndications. Rather than one person purchasing the property, the syndication includes teams of people who come together to make the transaction.

Let's say a prospective investor spots an apartment building that sells for $10 million. It's a big number. The investor may have accumulated some cash, but he doesn't have anywhere near the 30 percent that will be required for the down payment of this property. The investor may have $500,000 to invest, but that isn't anywhere near the $3,000,000 of down payment he will need to get into this deal. He can't go to the bank and borrow the $2.5 million he will need to cover the down payment, and also borrow the remaining $7 million that it will take to purchase the building. So what can he do? When it comes to real estate, he can always go ask Sam!

As a real estate professional, I frequently come across individuals who are on the lookout for real estate investments. On occasion, I can bring several people together to form a syndication. A Syndication is when two or more people pool their money together to buy one or more properties.

Ordinarily, to form the syndication, the partners consult with a real estate attorney who helps them file a limited-liability corporation, also known as an LLC. The investors retain the attorney to draft a private-placement memorandum, or PPM. It's a legal document that indicates each of the partners in the transaction is a responsible investor, and that each partner enters into the syndication understanding the risks associated with investing.

The LLC agreement spells out the terms of the syndication. In the example above, if one investor puts in the first $500,000, and he brings five other investors together in order to accumulate the \$3,000,000 necessary for the down payment, each investor would be a $1/6^{th}$ partner of the syndication, unless otherwise agreed to as part of the filing documents. If the \$10 million building generated \$1 million net cash flow each year, each partner would receive an equal share of the proceeds. It gave them all an opportunity to participate in the upside of a larger purchase than either of them could've participated in alone.

Go Ask Sam: If I wanted to launch a real estate syndication, what can I do to avoid potential problems?

Answer: I've been a part of many real estate syndications as both the general partner and as a limited partner. Besides my own personal experience, I've worked with investors who have been part of real estate syndications. In fact, one of my best friends, Justin Paperny, has been involved in real estate syndications with me for years. There is a good reason that we can be involved in real estate syndications and still maintain a close friendship. That reason is total transparency.

To the extent that everyone understands the nature of the deal, real estate syndications can proceed without any hiccups. Experience convinces me that the biggest problem with forming real estate syndication groups is when unanticipated problems start surfacing. Some examples of unanticipated problems follow:

- What if one partner in the syndication wants to sell, but other partners in the syndication do not have an interest in selling?
- What happens if the property has a sudden vacancy problem?
- What if the management company engages in fraud, leaving the syndication in a situation that requires further investment of capital?

Real estate syndications succeed, I have found, when all of the partners understand exactly what they're getting into. They should memorialize that understanding, with solutions for every possible problem, in the LLC agreement, or in the prospectus. It should identify how the syndication will respond in the event of disputes over unanticipated problems. Sometimes, a lead investor will work with an attorney to file a prospectus that spells out the terms of the syndication even before a property is located. The syndication then becomes an investment vehicle, complete with the firepower necessary to secure the right property when it comes along.

As I've mentioned, I've personally participated in real estate syndications. The great thing about syndications is that the investor doesn't have to tie all of his money up in a single property. Instead, he can spread his investment portfolio out so that he has exposure to numerous deals in different areas. It's the same concept to a person who diversifies a stock portfolio. Investors in real estate syndications are able to participate in transactions that might otherwise be beyond their reach. Syndications are exciting projects, and I'm happy to work with investors who want to pool resources together to purchase valuable properties for investment purposes.

Go Ask Sam: What should I do if I want to start investing in real estate?

Answer: There are big differences to consider when purchasing real estate for the purpose of establishing a personal residence, and purchasing real estate for the purposes of investment. I recommend doing both. In fact, other than rearing my son Lucas and building great relationships with other people, owning real estate has been a highlight of my life. I still remember buying my first condo, way back when I was starting as a real estate agent. Like most homeowners, I later traded up, selling my first condo for a profit and purchasing a new condo.

Then I traded up again, selling my second condo and purchasing a home in Calabasas. Those deals brought me a great sense of satisfaction, but buying real estate for investment purposes brought an entirely new level of stability. Besides that, it enabled me to grow my financial resources.

There are many ways to invest money. Some people like to invest in stocks. It's an investment strategy that comes with both advantages and disadvantages. On the plus side, stocks are relatively liquid, meaning they're easily convertible to cash. On the minus side, stocks can be volatile, exposing the investor to swings in value. Bonds are another type of investment vehicle. They provide investors with a fixed-income stream of cash, but with less upside potential than stocks.

Real estate doesn't offer the same type of liquidity as stocks or bonds, but it has other advantages. For one thing, it offers more opportunity to leverage assets. With real estate, it's not uncommon for an investor to control a $1,000,000 asset with a $250,000 cash investment. If an individual invested $250,000 into the stock market, and he didn't use margin, he would have exposure to $250,000 worth of equity. Let's say he spread his purchase in a way that exposed his investment equally to the performance of the S&P 500 Index. If the S&P 500 rose by 10 percent over the course of the investment period, that $250,000 would grow by $25,000, building a value of $275,000. That investment may also yield some dividend income that added a thousand or two more. However, that investment would incur some tax liability as well.

Contrast that stock investment with real estate. If investor called me up and said that he wanted to deploy $250,000 into a real estate investment, I would tell him that we would likely be able to purchase an investment in the $1,000,000 range. Now let's say that the real estate investment increased by 10 percent, just as we assumed for the stock market investment above. The real estate investor would reap the reward of a 10 percent gain on the entire investment of $1,000,000 rather than on the $250,000 invested. It means the gross gain would be $100,000, less the cost of debt service. The leverage that real estate offers investors is one of the reasons that most fortunes of the Forbes 400 have been made in real estate.

When considering any investment, an investor should begin by defining success. What is the investor looking to achieve? How is the investor going to define success? If he can answer that question, I am in a much better position to advise him. Those who want to strike it rich overnight might be better off trying the lottery or going to Las Vegas, and I'm not the guy to advise on that kind of strategy. But for the individual who wants to begin building wealth through real estate, I'm eager to help.

I've worked with numerous people who build their entire careers around real estate investments. They begin with accumulating a pool of capital that they can use as a down payment. I've helped them identify a property to purchase. That property generates a cash flow that allows the individual to service the debt and replenish capital. I can then help the investor find a second property, and the process repeats itself. That is how fortunes are created, and I derive a great sense of fulfillment from helping investors succeed. I've learned a great deal from my experience as a real estate agent who has worked with buyers and sellers in more than 1,500 transactions, and I've learned a great deal as an investor of real estate for my own account. I look forward to continuing so if you have questions, you know where to turn.

Go Ask Sam: Do you have any recollections of past clients who started small and went on to build fortunes in real estate?

Answer: Yes, I remember when I first met David, back in 1993. He was only a few years older than I was and I found him smart, engaging, and interesting. David concerned himself with building wealth, and he had a plan. To give you an example of the kind of guy he was, he used duct tape to hold his briefcase together, and he also taped across the bridge of his glasses to reinforce them. He didn't seem particularly concerned with appearances.

I remember David telling me that he had a 10-year plan and he wanted to buy as many cheap condos as I could find in a particular area. At the time, financing was available for investors who would put 5 percent down. Banks that owned the REO properties made the financing available to qualified buyers. Over the course of the next three years, I represented David in the purchase of 20 condos.

David stuck to his pattern, putting 5 percent down and financing the balance. The rent covered the mortgage, taxes, and HOA dues. He bought the condos cheap. One-bedroom units sold for $50,000 and David rented them out for $700. They just barely broke even, but that was sufficient.

We fast forward to 1999 and can see how David's shrewd decision to buy (Delete real) and rent real estate paid off. That was when he called to say that he wanted to start selling the condos a few at a time and 1031 the collective proceeds into a multi family property- Between 1999 and 2002 David liquidated all but 3 of his condos (purchasing several 2-6 unit buildings). He has been retired for many years and he lives directly off the rents generated from the several bread and butter properties he owns.

As a consequence of David's early investments, he purchased his new properties with all cash that he generated from sale of the condos. David's original career was as a computer analyst and he studied real estate trends on the side. Once he figured out how to time the market, he deployed his 10-year plan for retirement like a sniper. I was happy to have worked with him in building his condo empire. My calculations suggest that by using 5 percent of his own money as a down payment, he turned about $100,000 into several million dollars and thousands in monthly cash flow. David never bought a new briefcase the entire time I knew him. During the most recent real estate crash, investors I know went to Las Vegas not to gamble, but to apply that same concept that worked so well for David.

Go Ask Sam: What is a real estate comp?

Answer: A real estate comp is a shorthand term for a real estate comparable. We always like to know what we're buying, but with real estate, no two properties are ever exactly alike. That's why I can add so much value to buyers and sellers as a real estate professional. The 25 years that I've been working with buyers and sellers of real estate in Southern California has given me an enormous amount of value in comparing different real estate markets, and in comparing different properties. Since variables are constantly in flux, buyers and sellers can depend on me to guide through what is fair at any given time. I show them the different tools I use to measure comparisons, as I want those clients with whom I work to have what I call "apples-to-apples" comparisons.

The Internet is a great source, but without the type of in-depth experience that I bring, buyers and sellers can drown themselves in the ocean of information available. There are many real estate web sites, but they have different strengths with unique tools and approaches for searching listing. When I try helping clients understand the most up-to-date values and comparisons, I rely upon my experience as a primary source, and then I turn to the following sites:

- Multiple Listing Service (MLS): The MLS is a great source for listings and solid information.
- Realtor.com: It offers direct feeds of properties for sale from more than 900 multiple listing services nationwide.
- Altos Research: Offers information on local market conditions, including average days on market, median price per square foot,

number of homes for sale, trends, market conditions, and median sales prices.

- RedFin: Original listing information about properties for sale.
- Homes.com: Shows listing data from public records multiple listing services in cities across the country.
- Zillow.com: Uses information from county records to display recently sold property listings.

Go Ask Sam: How many different types of income properties are there?

Answer: Wow! One of the many things I love about real estate is that each individual property has its own beauty and characteristics. With that in mind, we can narrow income properties into a few different types. With regard to rental properties, I can start with what I call "Bread and Butter Income Properties." This term describes the small, mom-and-pop style of income property. Generally, I categorize properties with six units or less into this group.

With the bread-and-butter properties, landlords pretty much run the entire show. They find their own tenants and keep a close watch with regard to what is going on with the property. It's generally the entry-level way to get into investment real estate. In these types of properties, the landlords generally do everything from finding the tenants, collecting the rents, overseeing the maintenance and necessary repairs. These mom-and-pop type rentals are a great starting point for new investors. They give the investors an opportunity to get their feet wet and experience what it means to be a landlord without having to manage too many moving parts. I've bought and sold several of these types of properties for my own account, and I've worked with friends who've purchased bread-and-butter properties. I have enormous levels of expertise with this type of investment.

Besides the bread-and-butter properties, another category would be the mid-scale income-producing properties. I put buildings with more than six units but less than 20 units into this category. It is generally seen as a trade-up property for someone who has been an owner of bread-and-butter rental properties, but wants to take a bite of something larger. They can trade up with one of the 1031 exchanges, or simply invest more resources. These types of properties generally require a more sophisticated buyer because there are so many more moving parts. For example, with these larger investments, the owner will ordinarily take a more passive approach to the daily grind. Instead of finding the tenants, collecting the rents, and managing the maintenance, the owner will budget a property management company into the equation. It's not my area of focus, but during the course of my career, a number of real estate investors I've represented have traded up from bread-and-butter properties to purchase the more substantial mid-scale, income-producing properties and it's been my pleasure to work with them.

An investment property with more than 20 units, and up to several hundred units, is a specialty purchase. These types of investments are for the most seasoned investors. They are priced in the multimillions of dollars and take into account economic principles that require a high level of business sophistication. Although I've steered clients into these types of projects, and worked with some in the past, I typically refer clients to commercial brokers who specialize in this type of investment vehicle.

Go Ask Sam: What should I consider as a young investor who is ready to buy a bread-and-butter property?

Answer: Investors analyze a deal far differently from a homebuyer who is purchasing a home to live in. I've purchased residential real estate and I've purchased investment real estate. That's why I can speak intelligently to investors, because I've walked in their shoes. I've bought and sold everything from duplex units to 10-unit apartment buildings, so I know how to analyze them. Although location is important in any type of real estate purchase, what an investor really wants to know is how the investment will lead to profits, or more help him grow his equity.

Being able "to pencil" a property takes a special skill set which decades in the industry has helped me master. I can sit down with an investor and show him what it truly costs each month to own an investment property, and also show him how to generate the most income from the investment. I help him anticipate such factors as vacancy rates, costs to upkeep the grounds, estimate capital improvement costs, and forecast how capital improvements will influence market rental rates. I enjoy the process of helping the investor understand how to pencil the property. That's part of the fun of working with new investors. I help them understand rent control ordinances and those rules influence a property's current value and cash-flow potential. I am an expert at helping investors understand the numbers game of price versus rents. I've bought buildings simply because the rents were so far under the market rates that the upside was enormous. Similarly, I've bought vacant, abandoned buildings, made some capital improvements, then brought them back online and flipped them for a wonderful profit.

As a full-service real estate professional, it's my job to understand my client's needs for the short and long term. Then I work with his strengths while considering his potential weakness to assist him in achieving his financial goals. Over the course of my lengthy career, I've had the great privilege of watching many people build fortunes in real estate, and I look forward to working with new clients each day.

Epilogue

It's been said many times before that knowledge is power. I've read and heard that saying for decades. What's magnificent about knowledge is that we can acquire it from others, leveraging off of other people's experiences to empower ourselves. That's the concept of Go Ask Sam.

When it comes to real property, I'm a wealth of knowledge. I'm eager to share with everyone who wants to tap into all that I've learned over the past quarter century of representing buyers and sellers in real estate transactions. During my tenure, I've seen several cycles of the real estate market cycle, the ups and downs. With that experience, I'm confident in saying that although it's nearly impossible to predict the apex or the nadir of any market, we can get relatively close. I'm happy to help.

The market gives off clear signs when it's changing. For example, as I wrote in the background section, from 1992-1995 the real estate market had a surplus of homes for sale. Inventory rose to an 18-month supply! That meant if developers or homeowners didn't put a single home on the market, it would take 18 months before all the properties on the markets were sold. Consequently, prices declined. There were tons of REO properties and a plethora of homeowners wanting to sell. Then, after the 1994 Northridge earthquake, thousands of homeowners wanted to pack up and leave the state. Sellers couldn't find anyone willing to pay list price for their properties, so they were selling at deep discounts.

In early 1996, I saw change on the horizon. Markets had turned. The REO inventory that banks were offering began to slow dramatically. Before long, properties were generating multiple offers and buyers were bidding modestly over list price to acquire properties. Prices began to rise slowly, and the train started to pick up speed. By late 1996, it was go time! Most every property had multiple offers and buyers were bidding significantly over list to get them. The market was on the move, trending up for 10 solid years.

Between the years 2001 and 2005, home prices just about doubled across the board throughout Southern California. It was off the charts. There wasn't any price range that was exempt from real-estate mania. Sellers could place nearly any price on their home and it would sell. Among realtors, we had a joke, saying that we could take any property, tack on 20 percent, and the property would be fairly priced, ready to move in six months.

Then it changed. In late 2006, the market went flat overnight. For months nobody was buying anything. A seller couldn't give a home away. Without buyers in the market, inventory grew. Then the banks again started to pile up on their REO inventory, resulting in thousands of foreclosures and a wholesale dumping of properties, sending real estate prices down into a vortex, dropping faster than a led zeppelin. Between the years 2007 and 2011, prices continued their free fall, with houses losing up to 50 or 60 percent of their previously inflated values.

Tons of lawsuits of all kinds followed because banks had gone too far with their foreclosure proceedings. Rather than reviewing the details of each particular case, employees acted like robots and became so-called “robo-signers,” pushing through foreclosure paperwork without review, resulting in thousands of people losing their homes through scandalous banking practices.

As if the robo-signing scandal wasn’t enough, investigators began inquiring about deceitful or fraudulent practices with “predatory lending,” described as fraudulent practices during the loan-origination process. The banking industries “shadow inventory” was also under the microscope; shadow inventory referred to properties that were in foreclosure, but that banks hadn’t yet put on the market. It was their effort to manipulate prices by understating the actual number of houses available.

People were going to prison, and suddenly, real estate and related financial industries were seen as being black markets, almost criminal enterprises. Seasons had changed. With an overwhelming number of loans in default and lawsuits flooding in from consumers, banks had to raise cash. They began conducting “short sales” in unprecedented numbers, just trying to crawl out from problems in the real estate market. As time passed, and the economy improved, those problems started to fade. Businesses began hiring again, leading more people back into the housing market, and inventory levels finally began to subside.

Then, in early 2012, I saw the shift again, with the market beginning to show signs of recovery. Interest rates were low. Homes once again started to generate multiple offers. The banks' inventory of REOs began to shrink and consumer confidence started rising again.

With interest rates at historic lows, homebuyers believed that we had reached the bottom and the time had come to buy. As prices began to rise, more people started jumping on the train, feeding the market frenzy. Within a few short months, I saw a complete 180- degree turn in the market. Investors started gobbling up properties at a staggering pace. Homeowners couldn't keep up with the quantity of "all-cash" offers coming from investors. Every property generated multiple offers, including those that others considered "garbage" or "distressed" homes in poor condition. Flippers entered the market and began to buy, fix and sell homes. There wasn't any secret that houses were in short supply, and house flippers knew the time had come to grab the cash. They drove prices up even further.

With investors being tired of leaving capital in the bank for a measly 2 percent return, they started throwing cash back into the real estate market at a rate that has been unprecedented. Not wanting to get stung holding the bag again, banks invented new lending rules. They feared that the market euphoria would die. To protect themselves, the banks put limitations on house flippers who wanted to speculate with the bank's money. Lending agreements included contractual language that prohibited speculators from reselling the house within 90 days from the date they purchased, and even limiting profits with aggressive prepayment penalties for loans that were paid off too soon. Some banks flat out refused to fund new loans if the property had been traded within the last 6 months, or if the selling price exceeded 30 percent of the most recent sale price for that same house.

Despite the tight lending rules, investor appetite quickly depleted the market inventory. There weren't enough houses on the market to satisfy the number of prospective homeowners. People who wanted to buy houses started to stack up, like chips on a black jack table.

The pent up frustration to buy caused prospective homeowners to bid crazy numbers against the speculators in an effort to secure a home. They offered 10 percent over list price as a jumping off point. Experience convinces me that this trend will continue through 2013, into 2014, and quite likely, beyond. The only way to slow the real estate train is to balance the demand for houses with more supply. But that solution takes time, as developers first have to acquire the land, get the permits, lay down the infrastructure, and then build the houses. The move up market will return as equity returns and those people will again begin to sell who have been hunkered down for the past 6 years. Our current housing inventory is so low that if no new properties enter the market, within two months there won't be any homes to buy! With the norm being closer to a nine-month supply, we're in some freakishly scary times when it comes to real estate inventory.

The seas of real estate are always changing. That's okay. Count on me as being your voice of reason and experience. You now know where to turn. If you have real estate questions, the answer is simple:

Go Ask Sam!
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WHAT OTHERS ARE SAYING ABOUT SAM

This book is a thoughtful introspective of the real estate business from the point of view of someone who truly "knows". Sam enjoys a hard earned reputation for character and a gift for making good choices. His common sense approach to difficult buying and selling situations makes him a very valuable resource indeed. After more than 35 years in this industry, when I have a tough transaction, I Go Ask Sam.

- *Roger Ewing, Broker/Owner, Ewing and Associates Sotheby's International Realty*

Sam Pompeo has represented us in 6 real estate transactions since 1989 when we bought our first home. He always protected our interests by fighting the tough battles and taking care of the smallest details. Nothing was too big or too small for Sam. He would deal with escrow issues one day, and help us prepare for an open house the next. Sam is a true professional in every sense of the word.

- *Darla Cunningham, Employment Attorney & Dennis Battitori - Litigation Consultant*

Ten years and several deals later, I continue to appreciate Sam's insights, humility, gregarious personality and profound care about service. Having read Go Ask Sam, I now understand the source of Sam's commitment to service."

- *Albert Brenner, Entrepreneur*

Over the 40 years of being a Real estate Investor I have worked with many Agents. Sam is the rare unmatched negotiator with the ability to find and always close the deal. I have bought and sold more than 2 dozen homes with Sam. He is a Professionals professional.

- *Rich Kobliner, Investor/Developer/General Contractor*

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Over the past 25 years, Sam Pompeo has worked with buyers, sellers, investors, banks, trustees, and other professionals to guide thousands of real estate transactions. His illustrious career as a consummate professional brings enormous value to any real estate transaction. Through this insightful book, Sam shares lessons he learned to help buyers and sellers understand the ins and outs of real estate. If you have real estate questions of any kind, you can always find the answer if you simply Go Ask Sam!

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