



bubble proof investing

by Colleen Birch Maile

No need to get sweaty palms over the softening real estate market. Every swing of the pendulum poses opportunity, according to Andy Heller. The part-time investor and full-time businessman, with his partner Scott Frank, has developed a model that creates real wealth through portfolio growth and “is not dependent upon rapid appreciation to make money.”

Over the course of two decades, the duo have bought, rented and sold more than \$10 million worth of Atlanta-area properties. “I’m 42, Scott is 40 and our retirement is secure,” Heller explained. “The amazing thing is that until recently we’ve been closet investors. Regular guys, with regular jobs who simply came up with something that really worked.”

They’re still regular guys, with regular jobs. Scott Frank is an executive at a Fortune 100 company; Andy Heller runs an international freight service. However, they blew their real estate cover in 2003 with publication of *Buy Low, Rent Smart, Sell High*. The book’s title sums up their success secret—a unique approach to low-energy investing. The philosophy hinges on a series of win-win situations for banks, investors and ultimately the people they sell to. According to Heller, it came about almost by accident.

right: Andy Heller (left) and Scott Frank (right) have purchased, sold and leased more than \$10 million of Atlanta real estate using an innovative technique. The full time businessmen and part-time real estate investors share success secrets in books and seminars.



Heller and Frank met 20 years ago in a Georgia State MBA class. Several years later, as their friendship grew, they decided to go into business together. “We were going to be the preforeclosure guys who bought houses and flipped them,” Heller said. This was way before “flipping real estate” entered America’s general lexicon.

At the time, Scott Frank already had a Georgia Tech Bachelor’s of Engineering, an MBA and a law degree. Andy Heller recalled, “I was for inconvenience. I could sleep on a couch for months and be happy. So, our plan was to buy an old place and I’d live there until it sold.”

Nine months after their first purchase, Heller was still on the couch. “The house was all fixed up and ready to go. But we didn’t have a single offer.”

Scott Frank checked out a real estate investing club and heard about lease-purchase option opportunities. “We took a look at it and decided that the process could be unfair to the other party, if the tenant doesn’t have a realistic opportunity to buy,” Heller explained. “But Scott’s a lawyer, so he drafted a better agreement that made home ownership a real possibility for people who could not otherwise get into a home.”

They advertised the property as a leasepurchase option and sold it under those terms within two

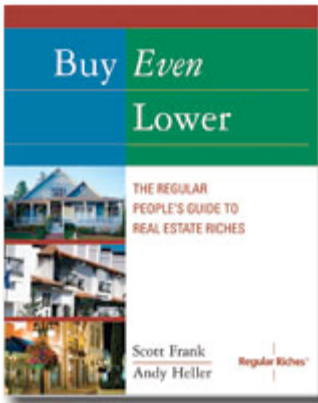
weeks.

“If you structure a fair deal for the lease purchaser, they really, really want it. You’re giving them the dream of home ownership. We’ve gotten letters from some of our buyers that would make you cry.”

Typically, a purchaser using the lease option has three years to buy their home at the agreed-upon price. Once the lease-purchase option is executed, Heller and Frank are not responsible for maintenance or repairs. “We view them as the homeowner not a renter. It’s wonderful for people who want their own home but have problems saving.

“Each month we set aside 10% of their rent to be used as a down payment. They’ve also given us deposit; those funds also go to the down payment.” If they don’t conclude the deal at the end of three years, the offer is usually extended for another three years, typically at a higher price. “Sometimes they buy after three years, sometimes six. If they default, the lock-in money goes to us. We’ve had some that have had a lease-purchase for 10 years. It doesn’t matter. We can hold the property for a short time and make money, or a medium time and make money, or a long time and make money,” Heller said.

Their approach to obtaining properties is equally clever. They seek out real estate that they believe has little likelihood of being purchased at a foreclosure sale and make the mortgage-holding bank an offer, “typically before they even have the file. We want to make the bank’s job easier. We don’t burn a lot of time looking at properties. Every county publishes a list of properties that are to be sold at foreclosure, usually on the first Tuesday of the month. The Internet makes evaluating property values based on bedrooms and bathrooms easy, and if the loan amount is about equal to the market value and there is little or no equity, we know that most investors won’t be interested. We know, too, that financial institutions are not in the business of managing real estate. Often they will discount. This is where we step in.”



left: their new book, *Buy Even Lower*

When Fortune magazine included their Buy Low, Rent Smart, Sell High, among its top real estate recommends, the partners decided to take their show on the road. Now, how-to instruction also contributes to the health of their communal bottom line. A website offers materials that delve into the intricacies of their strategy. Heller presents seminars when and where opportunities dovetail with his day job.

He noted that the timing of their new book, *Buy Even Lower*, couldn’t be better. “The rental market is getting stronger in many communities, and foreclosures are up. Property inventory is increasing. Investor loan rates are down. In some areas you can get a loan with as little as zero to 10% down. Sometimes you can finance all the repair improvement costs.”

Like its precursor, the new book lays out a concise strategy. It’s built upon what the authors call “Six Golden Keys” (see below). Heller is quick to emphasize that investors need to pay attention to what’s going on in their own region to determine their ceiling price. “You can’t change the realities of the market.” A softened market is no reason to panic, Heller maintains. “Consider this analogy. Savvy stock investors make money in a bull or a bear market. Real estate is no different. All that softening means is that people who were throwing darts at the market because it was so hot, are backing out. For us, there’s more opportunity. As long as the investor has a good plan, it’s gravy time.”

SIX GOLDEN KEYS

1. Determine your minimum investor discount.
2. Know what good properties look like.
3. Find good properties.
4. Calculate maximum purchase prices.
5. Make solid offers.
6. Negotiate like a chess master.

HOMETOWN HINT:

Andy Heller lives in mid-town Atlanta’s historic Virginia Highlands area just three minutes from Piedmont Park. His top recommends for a night on the town feature Southern flair—with a Latin twist. “For dinner, we like the Brazilian steakhouse Fogo de Chao on Piedmont Road.” Afterwards, he enjoys Loca Luna, a Brazilian nightclub. “Lots of fun, great atmosphere. They’re both in the center of town, close to wherever you’re staying.”