Diversify your business in 2023 with investor growth in the market

3 strategies for agents who want to work with investors this year

BY KURT CARLTON
for New Western
Tuesday, January 10 12:02 A.M.

As residential real estate slows, why not diversify your business by working with single-family home investors?

We've read the headlines about low inventory, out-of-reach listing prices, and ballooning interest rates — all driving factors of a slowing real estate market. There are always people that need to move, regardless of what the headlines are reporting. But with 85% of existing mortgages below a 5% rate, more homeowners will likely stay put in 2023.

So where does that leave an agent whose core business is buying and selling primary residences?

New Western recently released a report revealing valuable insights into how investors will continue to find opportunities even in this changing and slowing market.

If you currently work in the single-family home market and have expertise in your local neighborhoods, you already have the skills and tools that single-family home investors need to land properties.

In a New Western poll of 886 of our investors from November 2022, we found that the vast majority of real estate investors saw business growth in 2022 and plan to continue investing in 2023.

3 ways to get started with real estate investors:

1. Look for deals that surfaced because of challenges in the retail market

As interest rates and inflation rose in 2022, buyers developed a “wait and see” strategy for purchasing a home, and sellers began to accept the new reality and lowered list prices. Days on market grew but inventory remained tight. And the competition that existed for single-family home investors retreated. The mom-and-pop rehabbers and solopreneurs are armed with cash or private money and ready to buy more than one property. This creates multiple opportunities for agents. If you have listings sitting on the market, a seller who needs a quick sale, access to inventory in your neighborhoods that need rehab, and buyers looking for a newly renovated home in a desirable metro, you can work with investors.

2. Stay up to date on financing options beyond the traditional mortgage

Rising mortgage rates won't prevent investors from buying properties in 2023. A large percentage of investors will use cash, pull out equity in properties they already own, or secure private money for financing. It will take time for the average home buyer and seller to adjust to the new mortgage rate environment and to become educated on financing options in 2023. Investors understand that creative financing is crucial, especially when rates fluctuate. For those investors that will use a mortgage, look out for lenders that will offer rate buy-downs and incentive programs.

3. Look for fixer-upper properties that would make a great rental

Investors will be looking for properties to buy, hold, and then rent. With mortgages becoming more expensive than rent, the rental market will continue to be competitive. You might have existing clients that are looking to sell a property that isn't moving because it isn't quite ready for the retail market, but maybe it would make a great rental. And if you've got a long list of buyers waiting for the perfect home at the right price, consider the fact that an investor can come in and fix up a property and get it back on the market to rent or to sell for less money than a traditional new listing.

The solopreneurs and mom-and-pop investors in local markets across the country are buying and rehabbing homes that the average homebuyer won't touch. They can get these homes back into inventory, providing options for an underserved market, and creating multiple opportunities for agents to serve their clients and grow a new stream of business.