

Connecting the dots between buyer and developer

Devon Brooks

BUSINESS EXAMINER

You'd be forgiven for thinking that real estate and the Internet should go together as well as bread and butter. After all, being able to scout out homes to see if they are suitable in price and features seems like a natural for an information medium, but a number of firms have come and gone without making much, if any, profits in real estate on the Internet.

Scott Butler is determined to break that black tradition by convincing developers to pay to be on his site. Butler is an amiable, 30-something who says in all sincerity that he and his partners plan to get all, that is every single developer, to pay to be on their new site. "Once we're established they'll come to us," he says.

He is one of three talented ex-West Jet employees who have decided to take on new real estate development listings with their site, which they have christened Redkey.

Scott Butler met his two new partners, one being his wife, Melissa Butler, and Steve Taylor while he was

working as the director of real estate planning for the airline. Melissa was an airline steward while Taylor made videos for training and promotion.

But his family came from the construction side so he's always known real estate and building. Even as he launches Redkey, Butler says this is not going to be his main source of income anytime soon. He is developing a housing site on Vancouver Island.

The inspiration for Redkey came when Butler moved to Kelowna. He says it was difficult to find the new developments where he and his wife hoped to purchase.

He estimates that only about one in five housing developments list on the MLS service.

He and Melissa spent weeks looking around just to see what was available. After they bought, another friend moving from Edmonton expressed frustration with the same problem.

From problems come entrepreneurial ideas. In this case Butler thought

they could put together a website (www.redkey.ca) where a home-buyer could quickly locate every new development, whether stand alone homes, townhouses or condominiums.

First they had to find what was there. Butler and partners scoured the Okanagan for five months. He believes the website lists every development out there "but has, at the very least, a 90% penetration."

In order to establish the site and its usefulness, all listings on it currently are there for free.

As of late January 2008 that included 47 condominium sites, 24 townhouse sites and 41 housing developments (most built, some only vacant lots) in the Kelowna area, ranging from Winfield to Peachland.

He is confident the company has at least 80% of developments in Penticton and Vernon. They have just opened up a front in Kamloops and the Shuswap where they have thus far listed 14 developments. Butler doesn't know how many more are in there, but says, "I'm sure we have only a got a few."

In total 180 development

sites can be found through Redkey.

A Redkey listing gives the size of a development, price range, an artist's promotional sketch and location. If a person clicks they are taken to the developer's site where they can gather as much information as the developer is willing to share with them.

The next trick, says

Butler, is getting the word out to would-be home buyers and, of course, the developers.

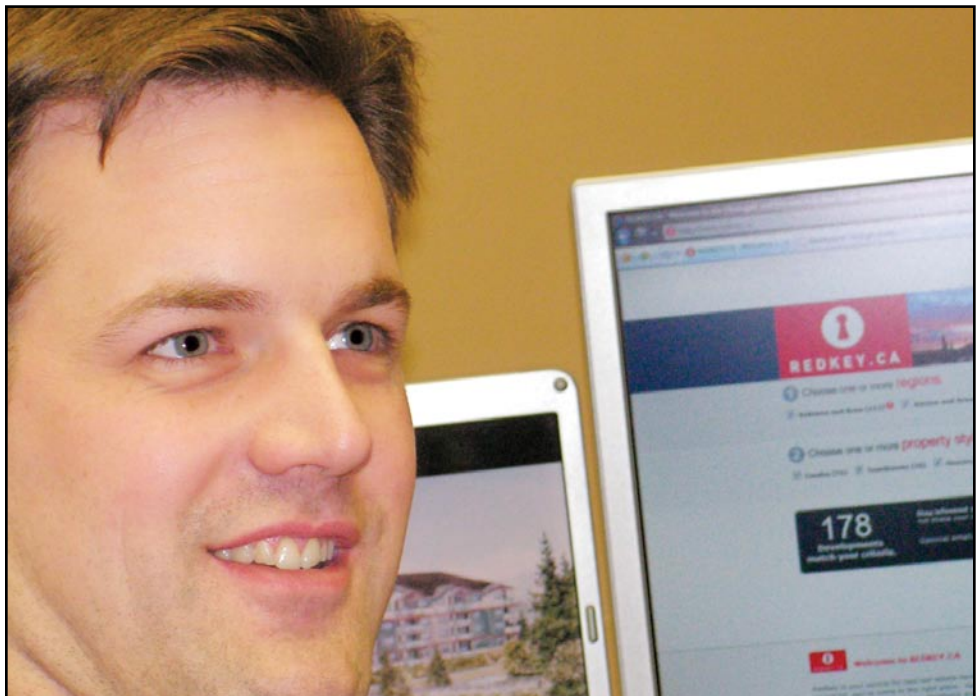
Reaching consumers involved setting up a monthly \$15,000 ad spree. Advertising is running in local print and radio and on the Internet through Castanet and Google. While Google provides the Redkey team with precise statistics other money

was spent sponsoring relevant events, like an urban planning seminar in Kelowna.

"Fifteen thousand a month has made a difference," he observes dryly.

Prior to the launch of the advertising he says the site, which came online in September, was averaging

See \$15,000 pg. 12



DEVON BROOKS/TOBE PHOTO

Scott Butler sits next to a screen showing off his company's website, which provides listings of all new residential developments within a specified geographic area.

Forget the obsession with rates – this is a lease

When explaining equipment leasing to people, I frequently say "Do you get paid three years in advance?"

That question makes people realize that paying cash for equipment means the equipment and taxes are fully paid for before even a single penny of revenue has been generated by that equipment.

You don't pay your staff or yourself that way – why do it with your computers/forklifts/excavators/office furniture/dump truck?

It truly boggles my mind why people would pay cash for a depreciating asset like that (hence the saying 'If it appreciates – buy it. If it depreciates – lease it'). Didn't everyone grow up with witty mentors who wrote pithy columns saying you don't



THE BOTTOM LINE
David Crawford

have to do that?

Think of leasing as a long term rental. At the end of the specified rental period you can either walk away without buying the gear (usually a dumb thing to do), or you can purchase it for ten cents on the dollar.

Most people erroneously believe a lease is similar to a loan or mortgage –

thinking there is an interest rate to shop for. Not so.

When you rent a car for eighty dollars per day – what is the interest rate on that? It doesn't apply – it's just a rental payment. If you rent a Bobcat for \$250 per day – what is the interest rate? It doesn't apply.

Same with a lease – there is no 'rate' – just a payment.

So please stop asking me what the rate is – you'll get the best 'rate' you qualify for.

My job is to make sure your payment is reasonable, affordable, and the lowest I can find. Asking what the rate is will prompt me to begin my boring 'The Structure of a Lease' speech and you'll fall asleep - it's just not worth it.

It being a rental, you get to write off as an expense all the payments you make (unlike a bank loan where you only get to deduct the interest) – much to the annoyance and sweaty labour of your bookkeeper.

Lets not even mention declining balance depreciation schedules, capital cost allowances and so forth. Bookkeepers tend to foam at the mouth when you start discussing these things...

So you not only get to expense the payments, you get a tax deduction for doing so (usually just under 18% - the small business tax rate in British Columbia).

The equipment does not go on your books until it's paid for, you get to write it off as if it were, and you get

to write the whole thing off faster than if you bought it (which is a delightful way of paying less tax to the government).

And the downside to leasing is what again?

Many of my customers are people who rent equipment once or twice per month, and realize (because I tell them) they could lease and ultimately own the stuff for the same amount of money spent. Improving their cash flow and tax positions along the way is icing on the cake.

You usually don't need any down payment, you don't need to put up collateral, and you can structure payments any way you like (dropping lower in winter for example). Try THAT with bank financing (this wouldn't be a true column

of mine without at least one minor shot at banks...)

Having the cash to purchase equipment is wonderful – I'll never knock it. There are a lot of successful businesses out there that own every single piece of gear they have and are justifiably proud to do so. Generating the profits to do that is key – but not everyone has the cash flow to do it with.

That's where I step in and arrange Long-Term-Rental-With-An-Option-To-Purchase-Financing.

Leasing for short. *David Crawford is with Capri Intercity Leasing, based in Kelowna. He arranges lease financing throughout the B.C. interior and across North America and can be reached at 250-718-2244 or via e-mail at dcrawford@capri.ca.*

\$15,000 from pg. 8

about 20 click-thrus a day. Within four days of the advertising kick off they tracked 727 click-thrus.

The next step will be convincing developers to sign on. Fees will vary with the size of the development, costing from \$100 to \$300 a month.

Butler is confident.

"When you're spending millions on developing paying \$2,400 for a year isn't much."

He says the real estate market's rapid sales won't impact a developer's willingness to be listed. "You don't shoot yourself in the foot. Even in the hottest market you don't shy away from some advertising." There is

too much at stake and no developer can afford to be too complacent. If buyers only see someone else's site, they are likely to buy from that other development."

And in the event of a slowdown in the über-hot housing market of the southern Interior? Shrug. Butler, "At our price point we'll be the last to go."

This map, taken from the Redkey site, shows condominium and townhouse developments in the Kelowna area. Users can specify what kinds of developments they want to see. Rolling over any flag gives details and a link to the developer's website.