

# P R O S P E R I T A S

EUGEN KLEIN REAL ESTATE BROKERAGE & MARKETING SYSTEMS

AUGUST 2004

■ Pre-market Listings!

■ Top Story: Exploring Businesses Part I

■ Inside:

Investment

Opportunities

## Editorial



You may be wondering why you are receiving Prosperitas issues dated July and August in October.

Well, thanks to the good people at Microsoft and their Service Pack 2, it has been impossible to send out Prosperitas. However, we now have a new internet guru to assist us, so the newsletters will flow regularly. I want to thank you all for waiting so patiently.

I want to assure you that, although the articles remain the same ones I had written for those earlier issues, we have replaced the investment opportunities on the middle pages so that they are up to date. You should see an increasing variety of projects in future months; our efforts over the summer to increase our inventory were more successful than we imagined, so that we are now able to present many more businesses and investments today. This has in turn generated a lot of buyer-side interest; if you are considering whether now might be a good time to test the market I can assure you there are serious investors hungry for product.

As always, you are welcome to contact me any time with your questions and concerns regarding the disposition of your commercial investments or business.

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Tel. 1.800.818.8599 ■



When I present to investor groups on the subject of buying a business, I am often met with incredulous looks that slowly turn to understanding and interest as I make my case for the advantages of being a business owner. Because by their nature, businesses have more flexibility, complexity, risk, revenue, net return, and time demands than comparably priced investments, people rarely take the time to evaluate all the positive features of taking over a business in operation.

There are several reasons why one should buy an operating business. The most obvious is the return that a business will offer a purchaser or investor. The income multiplier on a typical business may run from 2x to 5x; for an investment property the multiplier may be 10x to 20x; this means that the same net income stream will cost the purchaser four to five times as much when they buy a investment property

## Exploring Businesses Why Buy An Ongoing Business?

By Eugen Klein, B.Comm(UREC), CRES, ARM®, RI, FRI  
Real Estate Broker

instead of a business. For example, we have a closing next month on a business that has a normalized return of \$150,000, at a purchase price of approximately \$350,000. A commercial building generating \$150,000 net would cost in the neighbourhood of \$2,000,000, almost six times as much.

There is good reason to purchase investment property. In general, investment property has less inherent risk and greater liquidity than businesses. However, if you base your decision to purchase a business on established customer base, experienced employees, a

recognized market position and solid business operating systems, you can often get an amicable combination of bank or vendor financing.

A concern of many new business owners is the loyalty of clients – particularly if the exiting owner has a strong or unique personality with which the business has  
*(continued on page 4)*

## T E S T I M O N I A L S

"We always look for industry professionals that can deliver their material in a timely and well researched fashion... Eugen Klein presented his detailed commercial overview as well as secrets of the marketing of businesses and trailer parks. His presentations were without exception well received"

Ozzie Jurock,  
President, Jurock's Real Estate Insider  
President, Featureweb

"The time and energy that you have taken from your personal life and put into your elected post is a direct benefit to me and my companies and all other realtors and brokers. I just wanted to let you know that your dedication is much appreciated. Thank you for your hard work."

Bob Rennie  
Rennie Marketing Systems

"I take this opportunity to express my sincere appreciation to you for continuing to send me your 'Prosperitas' newsletters. Your writings are always a great read ... concise and yet very informative. Your articles in the Real Estate Magazine (REM) have also not gone unnoticed..."

Wayne Yu, CCIM, FRI, CLO, CRES, RI  
President, Real Estate Institute of  
Canada, Greater Vancouver Chapter

"You're one dynamic business person! Not only do you have vision, leadership and integrity, you're open mindedness and thirst for learning makes you one step ahead of the game. I really appreciate your honesty, good advice and 'do whatever it takes' attitude."

Alice Zhou  
Event Coordinator

Please visit us on the world wide web at [www.eugen-klein.com](http://www.eugen-klein.com)

Goddard & Smith  
International Realty Inc.



## INTERNET SOLUTIONS FRANCHISOR

- 5 full time employees
- 7 existing franchises
- \$480,000 revenue
- \$49,000 net income
- Scalable model
- Expansion-ready for BC, AB, ON, USA



\$600,000



2

\$195,000



3

\$107,000



4

\$10,000



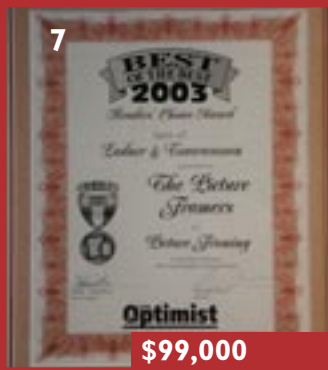
5

\$399,000



6

\$499,000



7

\$99,000



8

\$250,000



9

\$64,500



10

\$10,500,000

## 2. COFFEE BAR - FRANCHISE OP

Only fair trade organic coffee franchise serving roaster direct coffee. Three locations: Burnaby, Main Street, Yaletown. Already averaging over \$1100 / day.

## 3. GLOBAL SAFE DISTRIBUTORSHIP

Exclusive distribution rights for revolutionary safety/cleaning product endorsed by major insurers.

## 4. GLOBAL SAFE DEALERSHIP

Cleaning & safety product endorsed by top international insurers - reduces slip-fall claims. Profit \$1 per sq. ft. treated.

## 5. FRASER VALLEY SPORTS BAR/CLUB

Established sports bar/club with loyal clientele. Minutes from downtown Surrey. Excellent lease, 5000 sq. ft.; completed full renovations.

## 6. ENGLISH LANGUAGE SCHOOL

Central loc. downtown Vancouver. \$1,000,000 revenue, \$190,000 net w/mgr., expenses down 30%.

## 7. PICTURE FRAMER / GALLERY

Business running for five years, three at current location; net income ~ \$45,000.

## 8. FURNITURE MANUFACTURING

1st class business w/ all equip. & tools. Contracts w/ major hotels, incl. Pan Pacific.

## 9. LANGLEY BURGER RESTAURANT

Very popular drive-in, down town Langley. B Liquor license, 52 patio + 38 indoor seating. Owner will stay to train.

## 10. 46 ACRE DEVELOPMENT SITE

Between I-5 & Pacific Hwy; truck stop, manuf., duty-free potential \$4.50-\$6.50/sq.ft. Border proximity. 10 parcels all serviced.

## WANTED

20,000 - 30,000 sq. ft. retail location in close proximity to downtown: lease or buy

## WANTED

Mobile home parks, 30-100 units; waiting list of buyers!

This communication is not intended to induce a breach of already listed properties or businesses. All information must be verified by the purchaser. Images are representative only.

# COMMUNITY

My 'Community' section is dedicated to the extraordinary people who have contributed to my life with exceptional service. I would like to share my good fortune of knowing them with you. Please feel free to convey my recommendation.

### BARFLY

Mr. Jesse Bannister  
New Westminster (604) 519-0333

### BANK OF MONTREAL

Mr. Joe Corrado & Mr. Mark Tower  
Vancouver (604) 665-2682

### CAPITAL WEST MORTGAGE

Mr. Daymon Eng  
Vancouver (604) 899-3799

### CHARTERED ACCOUNTANT

Mr. Grant Gilmour  
Langley (604) 888-4200

### CIBC RESIDENTIAL FINANCE

Mr. Adam Beaudin-Ball  
West Vancouver (604) 981-2549

### CIBC RESIDENTIAL FINANCE

Mr. Derek Christiansen  
Vancouver (604) 220-6161

### COMFORT INN

Mrs. Valerie Orr  
Vancouver (604) 605-4339

### COMMERCIAL MORTGAGES

Mr. Gary Khangura  
Vancouver (604) 879-0235

### CYPRESS INSPECTIONS LTD.

Mr. Noel Murphy  
West Vancouver (604) 312-8606

**12. HASTINGS-BBY RETAIL STRATA**  
237 sq. ft. Retail strata unit, good street visibility and walk-up traffic. Perfect for electronics/communications sales & service.

**13. DELICATESSEN**  
Deli & smoked meat manufacturing outlet. Established & profitable retail & wholesale operation. \$2190 gross rent per month.

**14. AUTOMOTIVE SHOP**  
Mercedes-Benz auto repair and body shop. Exclusive clientele,; also well established licenced car broker.

**15. ABBOTSFORD WAREHOUSE**  
Excellent warehouse at business park near Abbotsford airport. 1st class office, 22' clr ceiling height, 1 acre parcel of land.

**16. LANGLEY TANNING SALON**  
Central Langley, first class equipment; stand up tanning & hair removal. Call for complete equipment list.

**17. TACO TIME**  
Three locations in Greater Vancouver, Managers in place in all stores, owners retiring, franchises offered below market

**18. REGAL RIDGE**  
48 new lots, 17 sold already! ~3.2 acres ea. Stunning views, Osooyoos BC.

**19. DOWNTOWN STRATA OFFICE**  
Howe Street, Vancouver; opposite BC Supreme Court. Perfect for independent professional. Parking space included.

**20 REVELSTOKE FOUR STAR HOTEL**  
Exclusive hotel in revelstoke built in 2000; on 18.73 acres of land. 26 suites and private chalets. Newly aproved major destination ski resort approved nearby.

**WANTED**  
Vancouver residences for land assembly

**WANTED**  
Industrial building; south side of Fraser River, 1.5 acre lot with building preferred.



**ABBOTSFORD AUTO MALL**  
Ideal for showroom or auto service/ accessories

- 30,000 sq. ft.
- \$10-\$12 psf NNN
- High traffic location
- Can subdivide space

\$10 - \$12 psf



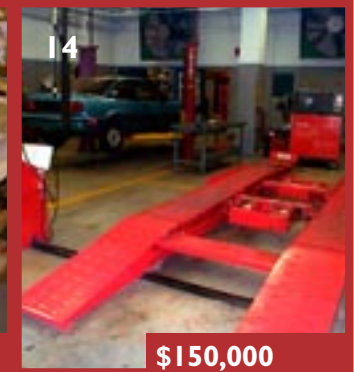
12

\$99,000



13

\$145,000



14

\$150,000



15

\$1,369,000



16

\$160,000



17

\$120k-\$190k



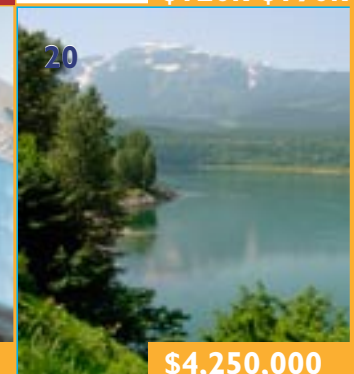
18

\$108k-\$360k



19

\$99,500



20

\$4,250,000

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## COMMUNITY

### DIGITAL PRINTING

Mr. Jason Romo  
Vancouver (604) 420-3400

### FLOWFORM DESIGN GROUP

Mr. George Verdolaga  
Vancouver (604) 321-8008

### GRAPHIC DESIGN & ART WORK

Mr. Denis Meyer Jr.  
Burnaby (604) 777-0550

### MAHOVLICH MARBLE & GRANITE

Mr. Frank Mahovlich  
Vancouver (604) 293-0093

### MCKITRICK CLARK MCLEOD

Mr. Bruce J. Preston  
Vancouver (604) 736-6717

### NATIONAL HOME REVIEWS

Mr. Dean Kazoleas  
Vancouver (604) 681-2108

### PINK LIME SALON & SPA

Mr. Youssef Jawhari  
Vancouver (604) 683-7444

### PLAN-IT WITH US TRAVEL

Mrs. Pam Gosal  
Richmond (604) 916-8044

### RENOVATIONS & APPRAISALS

Mr. Chris Lewin  
North Vancouver (604) 562-5799

### SCOTIA MCLEOD

Mrs. Vanessa Stenner-Campbell  
White Rock (604) 535-4749

### VANCITY CREDIT UNION

Mr. Joe Chan  
Vancouver (604) 877-8296

### VANCITY VENTURE CAPITAL

Mr. Axel Christiansen  
Vancouver (604) 877-6582

# Digging Debt Free

## Robust Economy Improves BC Budget Outlook



Robust economic conditions and sound fiscal management are generating a healthy budget surplus, according to Finance Minister Gary Collins.

"Our plan to balance the budget and revitalize the economy is working," said Collins. "The BC economy continues to gather steam and the budget surplus is growing."

The first quarterly report expects this year's budget surplus to reach \$865 million, significantly higher than the \$100 million surplus estimated when Budget 2004 was tabled in February.

BC's economic growth continues to be robust this year, reflecting solid employment gains, near record lumber prices, higher energy and mineral prices, sustained housing market activity and stronger retail sales.

British Columbia Ministry of Finance,  
August, 2004

## Homeowner Equity:

Since mid-2001, the value of household real estate assets has increased 27 per cent nationally, according to Scotia Economics' Real Estate Trends. "Rising home ownership rates, combined with appreciating home prices, have been the dominant driver of Canadian household wealth gains over the past three years," says Adrienne Warren, senior economist.

Home equity has traditionally been the single largest component of net wealth for

most households, but its share of the average household investment portfolio steadily declined through the 1990s as stock market returns outpaced gains in real estate prices. "This trend has now reversed, with real estate assets becoming an increasingly important component of household net worth and non-registered savings,"

Gains in real estate wealth typically have a more powerful impact on consumer spending than do equity gains, as



they are perceived as more permanent, and real estate is more widely held. Real estate equity (assets minus mortgages) represented 70 per cent of Canadian household real estate assets in mid-2004, versus only 55 per cent in the United States.

Scotia Economics,  
Summer, 2004

## Fine-Tuned Performance

(continued from page 1)

become identified. Careful structuring of the transaction can protect the buyer through a transition period wherein the owner remains involved to train the new owner and introduce him or her to the clients. Although difficult to value, client lists are of immense value to a purchaser even if outdated; it can be a good avenue to generate return business that will cover any shortfalls during the transition period.

It is important when taking over a business that the experienced, skilled and predictable employees are retained. They often know the business operations inside and out, and if the transition is handled well they can be re-energized by new ownership; the injection of fresh leadership can be a catalyst for employee creativity. However, employees naturally fear change and

**"...injection of fresh leadership can be a catalyst for employee creativity..."**



instability so it is important that they are not made aware of the transaction too soon. Usually, the buyer is allowed to talk with key employees only after a purchase and sale agreement has been signed and it is certain that the buyer will buy the business. It is extremely important for both buyer and seller not to mishandle this process.

An established business has the additional advantage

that its products, marketing techniques, and systems for accounting, inventory tracking, employee payroll and production have all passed the basic Darwinian test of the free market: survival. Rather than building from scratch, one is in the position of an expert race car mechanic, tinkering delicately to obtain optimal performance.

More on businesses next month....

INVESTMENT ■ BUSINESS BROKERAGE ■ SITE SELECTION ■ ASSEMBLY



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Please do not hesitate to call me at **604.818.5888**;  
it is my pleasure to serve your real estate needs.

Goddard & Smith  
International Realty Inc.

