

Real Astute: Finding a residential real estate niche

For Nikolay Todorov, the magic is in wholesale property

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When Nikolay Todorov arrived in America at age 19, it was a country he'd only heard about in movies. By his own account, he brought only a suitcase full of clothing and \$200, and came from his native Bulgaria ready to work.

And work he did — about 100 hours a week, he said, for those first few years — as a lifeguard and later a bartender at the Baltimore Hyatt Regency hotel by day, and baking bread at a local Safeway by night. He obtained a green card, then started attending investing workshops, and finally found a good job selling jewelry at kiosks in the Inner Harbor, a job that led to a position as a manager.

His story is a version of the classic American immigrant narrative, updated for real estate investors: Six years later, Todorov owns two houses near the harbor, has invested in and sold eight more and wears a suit and a handsome silver wristwatch to work as a broker with Keller Williams' newly-opened Southeast Baltimore location.

"Everything is real estate," he said last week, driving his late-model Chrysler 300 through Canton. "This car, even, was manufactured in real estate. In order to be successful in any business, you have to know real estate. So why not be prepared? And, it's fun!"

Todorov left his native Bulgaria because, he said, the country's post-Communist government has been overrun by corruption, and the only people who stood a chance in the business world there come from old money. He did not. Both of his parents worked middle-income jobs in a shipyard, his mother procuring parts to build engines, his father inspecting electrical systems.

While working at the kiosks, Todorov started attending workshops at Investors United School of Real Estate, where he got a crash course in the basics of the trade.

"Nik is a people person, and ... he's not afraid of hard work," said Ian Charles Parrish, president and founder of the school.

Since graduating, Parrish said, Todorov has sold a number of properties that he purchased from real estate wholesalers through Auction Brokers LLC, an auctioneering company owned by Parrish's father.

The practice of buying wholesale properties and the networking and hobnobbing it requires for success have become Todorov's specialty. A wholesaler, rather than listing a property on commonly used listing services, controls a for-sale property by putting it under contract, then sells it, often at auction, to a new buyer, at a profit, before actually closing on the sale.

"The [wholesaler] is essentially a placeholder taking a cut," said Shari Lineberger Harris, Todorov's manager at Keller Williams and a longtime friend. "The person who is getting essentially the equity or the overage that the seller would normally be getting is the wholesaler. Networking is absolutely imperative to that because you don't have the multiple list network to help you. ... You have to network to get your portfolio out there on the street."

Todorov bought his own home, a century-old end-unit row house on Robinson Street in Canton, in late 2006, for \$310,000. Three months later, he paid a wholesaler \$82,000 for a three-unit rental property on O'Donnell Street in the far East Baltimore neighborhood of Graceland Park.

Todorov said he paid \$15,000 as a down payment and got a fixed-rate mortgage at about 8 percent interest, and that the mortgage, including taxes, comes to about \$6,000 per year.

At \$450 per unit per month, Todorov said he makes about \$600 cash per month on the property and plans to reinvest the money in his next venture: a commercial property in Southeast Baltimore. He said he and his fiancée have several business ventures in mind that could benefit from a headquarters. Todorov said his strategy is to meet wholesalers at networking events and on Web sites such as Craigslist, buying properties from them and re-selling them at auctions.

"A real estate agent is trained to do one type of selling: listing the property," he said. "I came at it from auctions, wholesaling and short sales. ... To hear about wholesales, you've got to be in the industry, you have to have your name out there and people come to you."

The advantage to selling wholesale properties at auction is that they go quickly, and don't wallow for months on listings services with constant haggling over price, according to Parrish.

"In a retail market like this, where there's a huge glut of inventory, you've got to stand out, and auction stands out," he said. "Even in a different retail climate, we prefer auction, because it's fast and because you can take advantage of the competition among buyers. There's an urgency."

But some real estate agents, like Clausen Ely of Results 1 Realty, said the nature of the Baltimore real estate market is such that there are a lot of first-time home buyers who don't have the cash to meet reserve prices set at auctions.

"If you have something on a boulevard, something unique — that you can auction," he said. "But a row house, no one's going to come look at that. Because there's just not a retail market for it. You have to be prepared financially."

First-time buyers tend to get the best deals when working with an agent who knows his or her neighborhood, Ely said. But for buyers strictly interested in investment properties, or buyers with deep pockets, auctions do speed things up.

“People often get into real estate thinking, ‘I have a lot of flexible time,’ and people confuse the difference between flexible time and free time,” Harris, of Keller Williams, said. “I think Nik is successful primarily because ... he goes to work every day and treats real estate like a business. ... He realizes that this is a business and not something that you just kind of play at.”

But even as he hustles to broker sales and accumulate a portfolio of properties that stands out from the pack, Todorov said he still thinks it important to do good work, not just a lot of work.

In his living room, a narrow table is covered with the pieces of an enormous, half-completed jigsaw puzzle that he says he works with his fiancée, two or three nights a week — it may be the perfect metaphor for his philosophy of work.

“All I know,” he said, “is that it takes a lot of patience and determination to finish something as complicated as this.”

This is the first in an occasional series of feature articles on the residential real estate market in the Baltimore area.