

EPISODE 312

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.1] WS: This is your daily Real Estate Syndication show. I'm your host, Whitney Sewell. Today, our guest is Edna Keep. Thanks for being on the show Edna.

[0:00:32.4] EK: Thanks for having me, Whitney.

[0:00:34.0] WS: Happy to have you on the show. Edna is a former certified financial planner that discovered the power of real estate in 2007. Her and her husband Warren have amassed a 60 million dollar real estate portfolio primarily of multi-family and primarily with other people's money. I look forward to getting into that. But since 2014, she has been training and coaching real estate entrepreneurs who want to scale their real estate business into multi-family with investor capital.

I mean, that's what we're doing here Edna, I appreciate your expertise and being willing to get on the show and share that with the listeners as well. You know, tell us a little more about who you are and then also where you're located.

[0:01:11.1] EK: My pleasure. Whitney, I'm in Regina, Saskatchewan, which is central Canada. That's most people understand Vancouver and Toronto while we're kind of in the middle of them. Small area, our province is only about a million people. We primarily invest in our area. Two

reasons because our most for family and relatives and everything else is here and we've always been here. Just makes it easier to understand the economy and everything else.

[0:01:38.8] WS: Nice. Okay, you're in Canada. Have you always lived in Canada?

[0:01:41.7] EK: Always, yes, always in Saskatchewan too.

[0:01:44.7] WS: Okay, are you investing outside of Canada as well or is it primarily in Canada?

[0:01:49.5] EK: Primarily in Canada. We do a little bit outside but generally it's with partners, we were not the expert in those areas, we usually partner with other people that are.

[0:01:59.1] WS: You know, I want to know a little bit about – you and I discussed a little bit before the show. This previous – this recent deal that are local to you and central Canada. That we could talk about and I want to hear more about the details of that deal and interesting facts about it.

[0:02:12.6] EK: Okay, sure. Just over a year ago in April, we bought a vacant, 12-unit building in our city. The seller had owned that building for over 20 years and he had it rented to a group which cater to disabled adults, mentally disabled adults. So not one to have difficult to getting around but just ones who can't function totally in society by themselves. So they kind of have care workers and stuff looking after them. He had rented it out for like I said, over 20 years to this group.

They ended up building their own building. So it became vacant and you know, he's kind of at the age where he just wasn't interested in taking a whole vacant building on. So he sold it at a really good price, we got it at \$855,000. It took us about three or four months to fully renovate the building like I said, he got the same tenants in there for 20 years so he haven't done much, we, you know, it was all lipstick stuff, there was nothing major that we needed to do. Shortly after we owned, it got broke into and the boiler got wrecked.

We ended up with a brand new boiler through insurance too which actually ended up in our benefit because the new boilers are more efficient. Then we took the task on after that of filling it

so we got it to Ethel and we started working on financing. I worked with a very good mortgage broker out of Alberta and he was able to get us CMHC financing which in the US world is like anime for Mac.

Really good interest rate, I think like 2.72, three or amortization, got our numbers really good. One of the interesting things that transpired in the meantime was we had actually bought that building under agreement for sale. The reason is because you can't finance through a bank, a vacant building and the owner knew that he's been a sophisticated investor for many years so he financed \$600,000 of the deal and we brought in an investor for the other part which included all our holding costs and deposit and the renovations we needed to do.

One year later, we're ready for financing, we start working with the mortgage broker, only to find out that the lenders weren't interested in financing it up to the new value. That they only wanted to finance it up to the value that we paid for it. Which really didn't help us a lot with our mandate, what we were trying to do.

I had raised a bunch of registered capital and it was sitting at Olympia Trust which is the holder like the lending institution that holds it. We hadn't been able to utilize the money for another deal that we were working on. So I decided, well, we'll use that money to purchase it outright. That's what we're in the process of doing, that's – we'll purchase it outright with basically cash and then refinance it within two, three months and then we'll get it up the new value which is \$1.3 million dollars.

Had to do it in kind of a two pronged approach but that's sometimes you just have to bounce when you need to and regroup and figure, okay, what's the best way to make this work? That's what we're doing now.

[0:05:11.2] WS: Okay. Anyway, many things there, you've elaborated on but I want to even go back to how did you find this deal?

[0:05:17.0] EK: You know, it came to us through a realtor who had worked with us very early on back in 2007 when we got started. Sold us our first two properties, we just kind of parted ways, we needed to work with a realtor who was more open to offering no money down deals and he

was kind of uncomfortable with that. We moved on but he knew that there is a possibility with this one because he knew the seller.

That seller had actually financed one of our purchases back in the '09, a tiny little – what we call a hood house so not a very good area. And then a lot of properties like that so we weren't really interested in staying in the hood house area. Yeah, came to us through a realtor.

[0:05:57.0] WS: You had previous relations or transactions with the seller as well?

[0:06:00.7] EK: Yes, yeah. What was interesting is, we got the deal before it actually hit MLS, we made the offer, got it accepted everything else and they had dozens and dozens of calls on it after the fact. We could have flipped that property and probably made \$20 - 30,000 within a couple of weeks. But we can see the opportunity here, you know what's in a downtown location, it's close to a hospital and close to downtown.

The other thing that we do in this unit that's a little bit unique is we Airbnb some of the units because it's such a good location for that.

[0:06:34.0] WS: Okay, well, I've had more people ask recently about Airbnb and you know, using that in a multi-family property, you know, maybe that's commonly not used for Airbnb but maybe we start using one or two units and see how that works. I bet, you know, can you – just got a couple of questions I wanted to ask you but while we're on that, can you elaborate on how that's worked for you so far?

[0:06:54.2] EK: We're just setting up our second one but our first one has been going for about six months now because we wanted to test the waters and see how it's going to go. You know, they're all one bedroom unit so they're renting about \$850 a month. Through Airbnb we're making between \$1,250 - \$1,800 a month there. Depending on what's happening in the city at the time. It really doubles your income on your property, it's absolutely amazing.

[0:07:19.5] WS: Wow, doubles the income. Do you plan to convert more units into Airbnb or is it like this balance of wait a minute, we want this 12 month leases here or you know, longer term leases but then we're going to keep pushing this over here with these few units.

[0:07:35.3] EK: We're going to do three immediately so we're working on the second one right now and we have one coming vacant at the end of August so then we're going to go with the third one. We'll probably run that for a little while and then just test it. If we still get – keep getting a really good response, we could see ourselves going 100%. You know, we got other buildings in the city that's long term leases and you know, unfortunately, we have investor partners on there that are kind of scared of Airbnb, they don't understand it.

They don't want to do them. This building, we own ourselves with another partner who is very forward thinking and loves the Airbnb concept. We can see the future of it. Yeah, we'll go as much as we can get and of course you got to test the markets just to see but our area right now under Air DNA which is a way to kind of tell what rating you have.

We're at an A minus which is a really good area. Meaning, it's not actually saturated or anything like that.

[0:08:27.9] WS: Air DNA. Tell me again what that is and why that's useful?

[0:08:31.9] EK: They rate your property and your city on the viability of the project, it's amazing what they offer on there. They can tell you what rates you should be charging every night and depending on what's happening in your area, there's actually two of them and sometimes they get mixed up because they don't work on that part myself, I usually have partners. So there's price logs in Air DNA and they'll rate your area and then they also help you with pricing. It's like a more of a hands off approach so you don't have to be monitoring it yourself every day.

[0:09:03.3] WS: Nice. Okay, back to this property, what is the business plan long term with this deal?

[0:09:09.0] EK: Well, you know, we buy everything long term buy and hold. We're specialist in that area, love it, we absolutely love mortgage pay down. Right now with our portfolio, we're over \$25,000 a month in mortgage pay down's. That's like, that takes care of all our long term stuff that we ever need to think about.

Now, since we've got all that in place, we're just focusing on how we can maximize our cash flow, get our investors paid off as quickly as possible and we really think that Airbnb'ing, not every place is suitable, but Airbnb'ing a lot of units will really help with that.

[0:09:42.2] WS: Nice, okay. As far as you know, I know even your bio mentioned primarily with other people's money can you tell me, elaborate on how you all used investors, how you've partnered with investors, what that looks like. I know you know, in Canada, the syndication model is a little different but how does that work in your business specifically?

[0:10:00.2] EK: Well, generally, we bring our investors in as a joint venture partners. They're silent partners and they – we'll meet with them once a year, we send reports quarterly, we explain what's going on and given the option to you know, we told them all about Airbnb in some cases, some aren't interested, some love them all I know.

We kind of get them a little bit of a say, not a ton, we usually are always the controlling partners in that sense. But sometimes you have to let people get broken a little bit easier but yeah, we used to don't totally joint ventures, we do a joint venture agreement. When we first started out our joint venture partners were on title and mortgage with us. Now we're getting to the point where usually only one or two of us have to qualify where the mortgage so we –

Although they're on mortgage and title, we're the ones that were responsible for the mortgage and that sort of thing.

[0:10:52.3] WS: How did you initially start attracting investors to partner with you all?

[0:10:55.3] EK: You know, I used to be a financial adviser and I – when I understood real estate, couldn't even sell mutual funds anymore, it was just like my gosh, I can't even believe it, there's so much more control, so much more money, love real estate, it's so much easier to understand. I like simple things. A lot of people think that a lot of my clients came with me but you know, they didn't. I must have did a good job selling them on mutual funds but you know, just basically networking.

We partnered up with somebody very early on who had been in the business about two years longer. They had a bunch of houses and they were actually already raising some capita, I was still a financial advisor when I first started so I couldn't raise capital. We partnered with them. That took a lot of fear out of deals that we might have been scared to do on our own.

From there, we just networked and people started coming to us with capital and we get people from all over Canada and US that want to invest in our project, just get to know them over the years.

[0:11:53.7] WS: How do they know about you? How do you I guess start that relationship, you know, people from all over. Is that, through social media, how do you ask that about yourself and what you all are doing?

[0:12:03.3] EK: Well initially it was just personal contacts but eventually email. I do a lot of Facebook lives. I do a lot of podcasts like this and people just get to know us and then sometimes they follow us on Facebook. I've had people say, "Yeah, I followed you on Facebook for about two years. I know, we understand your stuff," and then they start either become students or invest with us. We are actually finding right now that a lot of our students are investing with us.

Because you know much like us when we started, we were scared of everything. You know we were scared of making that wrong decision and just having a partner that had already been doing this for two years, took a lot of that fear away. So lot of our student go, "You know what? If I could be part of a deal, understand it before I start raising my own capital for other deals." So we do a lot of that as well.

[0:12:49.6] WS: It makes all the difference that's for sure. It makes all the difference but let us talk about that a little bit. You know you're coaching others. You have students now that are striving to do what you're doing right? To build their own business in real estate and what are some of the biggest things that are holding them back from making that leap into doing their own deals?

[0:13:08.2] EK: You know I think fear is the biggest thing and when they are dealing with investor capital, one of those fears is losing other people's money and I tell students, you know what? When you tell me when you are scared of losing other people's money, I like that. I wouldn't even take you on if you were one of those people that said, "Oh I am not scared of losing other people's money, whatever it is their money," right? It is not the attitude I want people to take.

That is more precious than your own because they will help you grow but you got to help them grow at the same time. So that is a big fear getting over that and then you know, getting the mindset of your worth in the deal too. Like so many people think, "Oh if I could just get the money, if I could just get the money," but you know there's lots of money out there. You are the one with the goal and if you can get that mindset that's going to make all the difference for you and you know yourself, Whitney —

I mean there is a ton of people out there looking for a place to invest in real estate. They don't understand it, they don't know where to start. So they want somebody who knows what they were doing a lot of times. They don't have time to do it themselves so that is where we come in and we can help.

[0:14:12.4] WS: Nice and what's really been the hardest part of the real estate journey for you in doing larger properties in commercial real estate?

[0:14:20.1] EK: I love the wheeling and the dealing and the upfront and getting everything in place and generally, I am very hands on for the first year of owning but you know after that that is not my forte. I have to have team members that can look after the building, keep it fully occupied, report to me all that sort of thing. That could be a challenge sometimes because they don't quite want to do things the way you want to do them and they just have different ideas. So finding the right team members is absolutely crucial and that can be a struggle sometimes.

[0:14:53.7] WS: How have you alleviated — eliminated that problem? Or you know I am sure, it is not eliminated but how do you go about finding these teammates now that are qualified and want to do this job well?

[0:15:04.2] EK: Well, a lot of talking, a lot of interviewing, referrals is one and sometimes it is just taking the chance on someone when you know, you get a good feeling about them but you are not a 100% sure. So you put them in a position that starts somewhere where they can't do any damage and then work them into a higher position where they can really be beneficial.

[0:15:23.7] WS: I like that. So yeah, put them in a position where they can't do any damage but where they can really show their skills right? Or show their – I guess the desire to work and if they are going to be a good fit or not before you give them a bigger task. That's awesome, and so, what is a way Edna that you've recently improved your business that we could all apply to ours?

[0:15:43.9] EK: You know I would say adding the Airbnb model to our portfolio and we're doing it in a few different ways too. You know we've got a bunch for our own buildings. So we are doing some of that but I have also partnered with a couple of my students who are doing a rent to rent model. So basically we've rented other people's properties. One in Rochester, Minnesota close to the Mayo Clinic that's good too because again — I always say I can't do everything.

And although I have taken a couple of Airbnb courses, I understand it. I get the whole concept, it's the day to day managing of it that I just don't have time to do. So I have partnered with a couple of my students to maximize that as well and we're really excited about that. One of our partners in Rochester has rented a couple one bedroom units at \$750 a month making, \$45,000 a month gross income on rentals on those too.

[0:16:37.6] WS: Wow, so rent to rent model. So I guess are you all worried about if the landlord is okay with you subleasing and things like that? Do you all check things like that or is that important?

[0:16:48.9] EK: That they are ahead of time, yes because you know there has been areas in our country in Toronto and Vancouver specially, there is a ton of condos and a lot of the condo associations are going no. We don't want people in and out every day. It is a minimum three months or something like that. So yeah, you have to let them know ahead of time what you're going to do and you know some groups are very supportive of it.

Some people have been supportive and then changed their minds because of their own associations and stuff like that but yeah, you have to let people know upfront exactly what you are doing.

[0:17:20.6] WS: So and I guess if someone is showing they're against it or maybe they are wanting you to stop doing this, I mean you could offer them a little more of the pie right?

[0:17:29.7] EK: Yes and some landlords don't understand it because I've students even in our own area, they said, "You know, we have approached many and they're just scared of the whole subletting thing," you know and I think yeah, well that is why you need to study stuff, right? Like Whitney, I went in I started taking classes on it myself. I've signed up for three different Airbnb courses because I want to understand it inside and out so I can present it to investors.

So I can present it to potential partners and so that we can do it in our own buildings effectively and make it done right. So yeah, you have to study it. You have to get to know at least 90% of the concept. You don't have to do the everyday stuff yourself but you have to understand it inside and out.

[0:18:10.6] WS: How did you educate yourself about Airbnb or how should we do that if we are looking to apply the same model?

[0:18:16.1] EK: You know there is many courses out there now. I've actually had people on my podcast where I've interviewed them that are promoting somebody else who offers Airbnb. One of my students trains on it right now. Other students of mine are actually like I said, my partners and are not training on it but there are people that I can hook them up with to manage it for them, stuff like that and right now, I took three different courses.

One through a student, I went through his so I could see if it was something I wanted to offer and one through – there are actually two through this fellows that I met at different networking events and I seen what they were doing with it. You know there is a fellow out there right now who I studied with who took – started doing this two years ago and he does 100% the rent to rent model because he got caught in the downturn in the US and lost all his properties and his ability to get financing.

So he said I am not going to let that stop me and so he does I think at this point, the last time he talked to me, he started making \$300,000 for the year and he started that two years ago.

[0:19:19.5] WS: Wow, just doing the rent to rent. So he owns no real estate, he is subleasing for Airbnb. That's interesting. So I wanted to ask too, when you are talking to that landlord, is that something you're just reviewing the lease to see if it is okay or are you telling them upfront this is what is going to happen, I just wonder?

[0:19:37.2] EK: Well, we have to ask like, "Is this something you'd be interested in?" In the case we usually tell them that what we are going to do is rent their property for so much and then you know ask them what their rates are or whatever and that what we are looking to do is short term rentals and that there is a whole business model to it. You know, we have cleaners in after every single person is through, so we will take better care of your property than any regular tenant.

I will even take care of all the small repairs and maintenance. So you know we'd probably be considered as an absolute ideal tenant and we are not going to let our lease expire. We are going to keep going for as long as we are making money on it.

[0:20:14.0] WS: Wow that is so interesting. It is an interesting model I will have to look into that.

[0:20:18.2] EK: Yeah.

[0:20:18.6] WS: And so, what is your – you know you have been working with investors for a while, what is your best advice for caring for them?

[0:20:23.9] EK: Always treat their money as if it is your own or better because you know a lot of those people are counting on you for your long term retirement funds and you know, there's stuff that happens in the market. As you know Whitney that we can't control and markets go up and markets go down. So we always tell our students, make sure you explain that. You don't have a crystal ball there is going to be challenges but even through the challenges, you can end up doing well in real estate if you can hang on and go through it. So let people know what those potential challenges are but that how the upside can take care of the downside.

[0:20:58.9] WS: Nice and what is one thing, Edna, that's contributed to your success?

[0:21:02.3] EK: You know I am not scared of risk. I am okay with whatever comes along. I have a thought in my head that whatever is going to happen is going to happen and we'll just deal with it and we've had stuff happen with real estate I don't think anybody cannot. So you just have to go into it with, "Yeah, we are going to make it work no matter what."

[0:21:21.9] WS: I like that a lot and how do you like to give back?

[0:21:24.3] EK: You know my favorite way is working with my students. I love seeing them get their first big deal. I love seeing them raise capital and helping out a bunch of other people at the same time. So that's my absolute favorite way to add training people on that and then helping them with their mindset because I believe that mindset is about 95% of your success.

[0:21:45.2] WS: I couldn't agree more and Edna you've been a great guest. I really appreciate your time. I didn't even see the Airbnb dynamic of this conversation coming from the beginning. So I am glad it did and we have learned a lot about that from you and how that has changed your business and many others as well it seems but tell the listeners how they can learn more about you and get in touch with you?

[0:22:05.2] EK: So my website is ednakeep.com and that is how you can find me. I do Facebook Lives almost every day. I have a podcast called Seven Figure Real Estate and I love sharing what I've learned over the years and I love learning. So between those two things, yeah reach out to me at ednakeep.com and my Facebook page to watch my free videos is Coach Edna Keep, Facebook.com/coachednakeep and like I said, my favorite part is helping my students have success.

[END OF INTERVIEW]

[0:22:35.3] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real

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[OUTRO]

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