

WS890_ Jerome Maldonado

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0:00:01.5 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.

0:00:24.0 WHITNEY SEWELL: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Jerome Maldonado. Thanks for being on the show Jerome.

0:00:32.7 JEROME MALDONADO: Whitney... Thank you for having me. It's a pleasure being here. Good morning to you.

0:00:37.5 WS: Yeah, Jerome, honored to have you on the show and just gonna know you a little bit before we get started. You've got just a vast array of experience and expertise, I know you're gonna have a ton of value to our listeners today, but Jerome is a highly successful real estate investor, business owner, salesman, coach and speaker of the span of his 20-year career. Jerome is built an eight-figure empire and has mentored people from around the world in sales, real estate and business. His unique ability to streamline results is what makes Jerome's training high in demand as his methods are not found anywhere, but inside, his teachings. Jerome... Welcome to the show again, honored to have you on and welcome... Give us a little about that 20-year history. And I know you shared a little bit with me beforehand, I think it'd be helpful for the listeners to hear part of that and then let's jump in to some of your expertise that's gonna help them in their business.

0:01:24.7 JM: So I started off in general business, I was in direct sales network marketing for over five years, and although I struggled for the first three years of that, I was able hit one of the top levels of the company after about three and a half years, and in my young 20s, I was making about 250,000 dollars a year, and in the early 90s, that was a big deal. That was a lot of money. And in 1998, the FTC re-structured some stuff pulled out the wall from under us, and we were left without an opportunity, and so by accident, I landed up in construction of all things, and it's been an immensely successful company. I didn't know anything about construction but I knew I have marketed business. And so we were able to take that company and streamline in 12 months, and we were able to make seven figures on first year, and because of the success that we had through the construction company, we started double... real estate because I wanted assets, I wanted something that no matter what happened in life, if I had something tangible, so I started buying residential rental homes in 1998, so I'm dating myself about...

0:02:19.6 JM: But I soon found that residential rental homes wasn't what I really love, and I started getting into commercial buildings, and I got into small retail building starting in 1999-2000, and we started buying them, do a value-add to renovating them, leasing them, and I utilized one for my office and our construction yard, and because of the success of the first one, I did a second and a third one, and then we started building them, and so I have a lot of real estate development experience, retail was really good to us all the way to 2008 when things shifted because of the financial and economic prices, and we slowly started going out of retail, although we still own some retail today, smaller sector retail, we got into multi-family and we started getting into a conversions, industrial warehouse space and hotel conversions and that kind of leads us to the current market sectors that we're in today, and we're still building and developing, we're still running our construction companies, so in a nutshell, Whitney, that's kind of a 20-plus year history in a real quick rendition there...

0:03:21.5 WS: Yeah. You've done a lot in real estate, no doubt about it, and it's neat how you got into it and buying smaller homes or whatever, but I found out that that wasn't for you, and now I know you all are focused on hotel conversions and warehouses. Can you talk through that a little bit and why that's your focus versus other types of real estate?

0:03:38.4 JM: So two reasons, we're doing an industrial warehouse space and we're doing hotel conversions, and any time a market sector, yet super stimulated like multi-family. You know, I noticed even by 2018, I was starting a multi-family in 2000, started dublin in fourplexes and mass fourplexes in 2010, but really in 2015 is where it became really apparent that I needed a lot of doors and I want it, and I had the desire to have a lot, but really quick into 2018, I started seeing the escalation of the prices, and I got really worried about the low cap rates and my ROI, my internal rate of return as well as my cash on cash return, and since we had never acquired investors until about the 2017 2018, it didn't matter as much when I was doing on my own. As long as I had a business structure that worked internally for us, right? But when we started reaching out and getting cap from other people, it started being... being a bigger deal, we wanted to make sure that we were able to fund these people with returns that make sense and not knowing what the market was gonna go, I started looking at other sectors that I could get creative with, and that's what I always made our business profitable, was thinking outside the box, and so before everybody was thinking about, Hey, I can buy a hotel...

0:04:48.3 JM: I can convert this thing into a multi-family apartment complex, we started pushing on that concept, knowing that we could get a larger internal rate of return, but also a cash on cash return for our investors where we could pick something up, run it as a hotel, temporarily while we were renovating it into an apartment complex, get them a small modest return, but then stabilized that thing, not only at an a-cap, but we've been successful to stabilizing those things and even 12 caps and above, and then giving them a nice internal rate of return which has been a win-win situation, not only for us, but for the people that we work with and that are investing with us, and so that's the reason we've gotten into the hotel sector. Now, industrial space was just more of a need that needed to be serviced because of the growth of e-commerce and the death of retail... Right, and so I always tell people where there's times of distress, there's mass opportunity. You just have to figure out how you pick up the pieces and position yourself to take advantage of it. So in 2018, I partnered up with Tai Lopez and Dr.

0:05:44.2 JM: Alex Miran, they were doing e-commerce brands and with tailopez.com. They started purchasing dress farm, and then we came in as minority partners into the motel Sporting Goods, Dress Barn, Pure on imports, Radio Shack, and what other brands do we own now? So we have linen things in Stein Mart, and they started repositioning these, and so I came to me and said, "Hey Jerome, what if we built a portfolio of industrial warehouse spaces to service the needs of the growth of e-commerce, and knowing that billions of square feet, we're gonna be needed nationwide, we started just coming in and acquiring hundreds of thousands of square feet, and now we're pushing towards a million square feet of industrial warehouse space just to service all of the need for industrial warehouse for distribution of e-commerce and the growth of e-commerce over the last several years and moving into the future.

0:06:31.9 WS: How are you preparing yourself when you go to move into a different sector, like you're talking about, you did different types of real estate, then you moved into hotel conversions and warehouses. Tell me about how you getting that confidence to move into that new sector, and we wanna be able to do that, we wanna be able to move and wanna be able to go to place wherever

the industry is thriving or a... Right before it thrives. Anyway, but how do you build your team fast enough to do those things and to do them well?

0:06:54.6 JM: We don't build them overnight. They're slow and methodical. I know a lot of people think, like I talk about in nutshell, it seems like the pivot happens overnight and this team is just built and we're just moving into these sectors, and in all reality, sometimes we don't even know what we start doing is we just know that one sector is getting leveraged right? And so when we see the warning signs that something is getting leveraged and we sit back and I do what everybody does at scrapper, gonna go down, I can't purchase this for X amount of dollars and feel confident that I'm going to make a return that I can promise people. Right? And so I slowly started doing this. I just started continue shopping things and I start listening, and that's where I would start broadening my scope of what it is into and what I'm paying attention to in the world, because it's really important to that point in time, you know, when things are going really well. And you get focused, I think it's really important to stay tunnel vision, and stay focused on your goals and what you're doing, but your tunnel vision, and you get to a point where most people forget to do is pick their head up and realize when things are over-stimulated, so they continue to just drive and drive and drive, and that's what I ended up getting us in a position where we were all leveraged in 2008. And although we didn't lose any assets, although we didn't lose money, we were stressed out for about five years, just kind of press out of the 2008 economic recession, and reposition ourselves, and so I promised myself after that, that I would never let myself get into that position again, that I was always gonna stay creative and stand top of things because as entrepreneurs and business people, we get lazy I would say you'd be the bad horse, the bad horse doesn't go on place...

0:08:23.7 JM: Right, it stayed right there. And so I became the bad horse, and I realized it, and I sat back one down, I should have stayed progressive and what I was doing and always looking for market changes, and so I urged people to continue looking to keep the blinders open when it's time to keep the blinders open and then shut them when it's time to shut them, but when you see the warning signs on the wall and we start to look and pivot a little bit now, and sometimes we don't know what that pivot is gonna be, we just test if the market sectors, and we start underwriting different deals, and the more you're active in the market, right, the more you're continually underwriting deals, even if you don't know if they're profitable, you're just underwriting them, that's truly having figure things out... 'cause you know... I also start underwriting deals, and all of a sudden light will shine on me, I'll see how... I didn't realize it was this much profitability in this market sector, and by doing that, it allows me to pivot and then slowly I test it, so I do what I call a case study and I'll buy something that seems to be the right amount of doors on the right amount of the right square footage, and then I prelease it before action, taking it down, doing diligence period, and I just test the market for it, and if I don't get no traction on it, then I would draw...

0:09:32.1 JM: Sometimes I'll lose a little earnest money, but I would draw from it and just does my hands on going to the next deal, whereas other times, if I get traction and I get a receptive feedback from people then I move with it. And that takes a year, sometimes two years to actually pivot and do that stuff. So it doesn't happen overnight.

0:09:48.8 WS: That's interesting thought. I mean, test the market before you actually close on it, right? Test that specific property even...

0:09:53.7 JM: Yeah, we do it all the time. And so people always getting rushed to close on stuff, and I get brokers and wholesalers and these guys pressing me saying, You draw... You gotta come

in, we gotta close on this fast, and that's my first warning sign where I just kind of withdraw and say, okay, it's not for me just go on to the next guy. I'm not closing in two weeks and I'm not gonna press on that. My stuff is slow and methodical, I need to feel good feeling before I have that little sense of excitement where it's motivated and driving for me to move forward, but I have that pre knowned food feeling of confidence that I know it's the right deal, and so I'm a slow driver, when it comes to purchasing real estate, and then once I know it's the right deal, then I plow forward fast, but I am slowing methodical when it comes to underwriting and purchasing deals.

0:10:34.0 WS: You are now also partnering with syndicators. You're adding a ton of value to operators that may have other deals as well, can you speak to that a little bit, 'cause I know a lot of that's your ability to incorporate systems and processes and do that well. And how have you done that?

0:10:50.3 JM: I didn't even realize what we were bringing to the table as much until I started action parting with other syndicators, right? Since we self-funded a lot of our deals, we had the financial beast of a construction company that's been funding a lot of our deals through many years, but no matter how well you do, at some point in time, you run out of campaign. There's only so many deals you can take down alone... Well, when we started partnering with other syndicators and learning the syndication world a few years back, I started noticing that these guys were great at raising capital, and they were great and finding deals and underwriting deals where they were big, even a big gap and have been a lot of profit margin on the table was in the renovation sector and how they manage the value add for the new development or the re-development of whatever they were doing, and I started showing up trying to be the nice partner... Right, where you show up to a job site and respect everybody's well-being and what they were doing in the methodical way of what they did, and I started noticing that there was a ton of loose strings being in the construction industry and running...

0:11:44.7 JM: And when I started in construction industry, the one thing that helped me Whitney, as I told myself, when I was a kid, I was told that if I didn't go get it a good education, I was gonna land up in construction because that's what people without an education end up, right? So I was taught that or not smart people who end up... But they are uneducated. Little did I know there was so much profitability in construction, so early years to overcome the mindset that was set in, instilled into me by my parents that only blue collar non-educated people got into construction, he said, well shoot, I don't wanna be a blue call or non-educated person. I'm educated. I went to college, I wanna be an educated blue collar person, and so I said, I'm gonna run my construction company like a white collar professional, I'm gonna pick a blue collar industry and I'm gonna set it up and structure it like a white collar professionals I wanna do business with people who have money. And that's the white collar profession is at least that was in my mind back in those days, so the systems that I created back in the late 90s, I didn't realize how advantageous they were gonna be 20 plus years later in the syndication world, and being able to come in and all larger profitability because of the systems and the direction how we manage value-add properties and re-development and development properties.

0:12:55.5 JM: And so I sit back and say, Okay guys, we figure all the stuff. Stop it how to construction, we have excuse my friend, we have a ... show going on here, let's fix this, and then we come in, I get all the sub-contract to have the meeting with the general contract, and so he... But this is how we're gonna do on the project, this is how it needs to run, we have 180 doors, we need to start renovating 20 at a time, are still running a hotel here, this side stays Hotel. This side gets renovated. All the ... comes out of the hotel rooms when we put them in pots, we want clean

working centers, and we go in with 20 rooms. When we do it in phases, we do five phases, we do excavation, framing, rough in, drywall and paint, trim out. We're done. And so you do phase one and when phase one is done here you start 20 more. Phase one here, you start phase two here and phase one's done here, you take your rough in guys, you go here, and so we did systematically set this stuff up so that you don't have this cluster of stuff 'cause I just didn't understand what people were doing. They would have a client and sitting inside storage and I'm seeing back on, why would you have that stuff..

0:13:58.8 JM: You're six months from there, why do you have this... So anyways, we were able to clean up the processes and syndicators levels because I can go in and help them clean things up, save on labor and on maybe an 8 million dollar deal and make them on their bottom line, another half million dollars in profit just from what they've saved on labor and mismanagement to value-add stuff, which is awesome.

0:14:17.6 WS: Often we don't see that value that we're missing out on, right? But we don't see that or just having a better process, and like you mentioned, having a plans sitting around, that's one example when we don't need them for six more months, they're in the way or getting damaged or having them moved numerous times, all that takes time, right, to do those things because of a lack of planning, maybe you can highlight just a couple of things there that the operator that's listening could do much better to improve their process for the renovation.

0:14:44.9 JM: They need to have a plan, right, so for any operator, you have to have a plan, and I urge them not to rely on the general contractor to create that plan for them. I think the biggest mistake they make is they interview these people, although they may be good people, they're a good company, they're gonna get it done, right? I don't wanna discredit the contractors they are working with, but it doesn't mean that they're professional in management, you know... And so every operator should have a plan and they should have a pre-construction meeting and then they should have follow-up meetings weekly, and I would urge each one to do this, Where I learned this from is in commercial and government projects, 7 million a year of our business comes from government projects, and any time something goes out to bid, there's a pre-bid meeting. And we all sit down as general contractors. We go in and they brief us on everything, what they're doing. We meet the architects, engineers, we meet everybody, the engineers, the architects tell us what their expectations are and what they wanna see out of the project, then once we go in, we do what the project manager, even though we're the general contractor, I have my own project manager. They have their own project manager. And so operating to become their own project manager and not feel like they're stepping on anybody's toes, even if they're not a construction professional, but they need to understand the processes and systems that they set in place for redevelopment and for value-add projects, just so that they can get things done in a more timely...

0:16:00.7 JM: In a more professional fashion, so that's what I would urge every operator to do...

0:16:05.7 WS: No. Great advice. No doubt about it. You know... One thing that we talked about before we started recording to... I wanted you to have a couple of minutes to highlight for the listener, 'cause I think it's so important, and most of the time, it does not happen and gets people in trouble long-term. But just being able to structure your lifestyle in low debt and what that's done for you in your life, long term or even having some debt free, real estate, things like that, or how your thoughts on that, but it seems like that happened many years ago, and that's helpful long-term, but could you elaborate?

0:16:32.2 JM: So it's funny, all of us get started young, even if you don't get started young, I think at any time you get started and you start making it right, you start making more money than you've ever made in your life. What's the first thing that people do Whitney?

0:16:42.6 WS: Buy a house.

0:16:43.7 JM: They go buy a big house or they go buy a fancy car. So I did it right in my young 20s, I started doing well, I wouldn't, but a brand new Range Rover about a lake house, and when things got pulled out from underneath me, I lost it. And so I sat back and thought, Okay, I never wanna be in this position, it's the worst feeling in the world, to feel like you're moving forward, so constantly in your life, and then all of a sudden you just get pulled out from underneath you, and then you think you're awesome, you think that you have life all figured out, and then the wall gets pulled out from underneath you and you sit back and scratch your head and say, Oh my God, I wasn't as great as I thought I was. I need to re-figure this. And so in a young age, when we started doing well for the second time, I told my wife, I said, I never wanna be in that position again, I wanna create a lifestyle that no matter what happens, that we can live off of 4000 dollars a month.

0:17:25.4 JM: And obviously, this was in the late 90s when I said this, And so 4000 a month then what it is, is completely different, but low and behold, we still have a lifestyle that if today everything was stripped from us, we could still live on 4000 a month and pay our personal debt. And so there's a little cash 20 to everything, right? So there's good debt and bad debt. Good debt is debt that we take on, it is cash producing and a pace for itself, the asset pays for itself and it gives you cash flow. And there's bad debt, cars, automobiles, fancy trips, stuff like that. Now, you need a little bit of that stuff because I believe in the dopamine and the excitement that it gives you to motivate you to continue working. But you have to do it, I do it based on benchmarks of success, you know... So when I buy the first Rolex it was when I made my first million dollars, right, and I knew I was a million and I knew I made my first million dollars, it was the first time I bought my first Rolex. When I went out and I closed on one of my big projects, I had a residential subdivision, I had four homes to completion, I do, I went about my second one, right, and so it benchmarks, I'll go and buy a little bits and pieces of success, but I've never put myself in a position where I started buying fancy cars and fancy homes before I needed them, I built a house, I was 2600 square feet.

0:18:33.7 JM: I got into that house. Put a lot of money down, I put like 75,000 dollars down on a 225,000 dollar house, and I put about 60,000 dollars worth of renovations into it, and they were cash renovations, so I had a very modest house payment of 1500 a month, and I always bought my car's cash. In fact, when I do my construction company, I got my dealer's license and I started buying work trucks at the auctions to be able to save on that stuff, and it was because I never wanted to be over debted on bad debt. And so when I started getting into real estate, I did start leveraging debt, but it was only debt that would service itself, so it was only debt that it couldn't pay for its own asset, I didn't want it. I wanted something that was gonna produce income and who was gonna pay for itself, or at least had that potential... Right, I bought a lot of distress property, but we would buy it in lieu of knowing where we were going over the course of six months and to be able to get that cash back in. And so we lived in that house for 18 years.

0:19:28.4 JM: And 18 years later, there was times we wanted to go out and build ourselves a million dollar home, but the timing wasn't right, and it just wasn't set up right, and I just didn't feel good about it, and sometimes when we push, we got pushed back from circumstances in life, and

thankfully, and rightfully so, we did it, and so like I said now, and over a 8000 square foot home, and that's over 2 million home... But I didn't pay 2 million dollars for it. I bought it out of bankruptcy. I did the renovations I needed to, and I live in a 2.3 or 2.4 million dollar home at a very small marginal cost that I paid for it, because I know how to buy real estate. I know how to do things right, and I waited till the right time, and I invested all my liquid capital to feed the horse, to feed the cow, to just feed the beast and get my business going, and I never touched that capital, I used my business. But casual for my business to live, and I used every penny that I had coming in from flipping and turning properties and to feeding the beast and making it grow.

0:20:22.0 JM: And that's what we did in order to get to where we are today, and how we were able to get from nothing to something that I consider to be a pretty handsome return on our investment and a nice handsome portfolio of real estate that we own today.

0:20:36.4 WS: Great advice. A very well said. I just think that part there as personal, a lot of us should go back and just listen to it again, to think through just the debt piece. I've had so many questions about that for a lot of listeners, and then just a lot of people that I know how to feel about debt, your tax advisor says you need some debt or you need to go buy a vehicle, or you need to go do this a minimize or tax burden, but then again, how to feel about that debt, vehicle debt versus a real estate debt, and like you said, that can service itself... That's a great way to think about it. Thank you for listening to the show today. I wanted to continue the conversation with Jerome, we're having a great conversation. He's an amazing entrepreneur and real estate investor, so we continued the conversation into tomorrow's episode. I look forward to seeing you there.

0:21:21.0 ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference. One investor and one child at a time. Connect online at www.lifebridgecapital.com for free material and videos to further your success.

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