

EPISODE 104

Jules McKenzie (JM): It's just knowing your numbers, knowing what you know, but having a track record behind you that can prove that you've overcome obstacles and challenges and not so much selling yourself or pitching the deal, but being able to show with all credibility that, hey, I've been through the grind and I've come back and we've established some great results. And if you want to participate, you're more than welcome to.

Tejas Gosai (TG): Ladies and gentlemen, welcome to Real Estate Investor MBA. My name is Tejas Gosai, and I've had the honor of helping hundreds of investors achieve the American Dream by creating generational wealth through real estate. I've spent the past few years interviewing the most knowledgeable experts I could find in the business to cut your learning time and conquer the hardest subjects in the game. Check out rei.mba, which my team and I have packed with over 75 interviews and free access to our real estate roadmap, webinars and publications. If you're listening, I am rooting for you. And you're already on your way to financial freedom. Cheers and happy hunting!

[INTRODUCTION]

This podcast is dedicated to the underdogs, and I would like you to know that I believe I'm an underdog. I have faced some crazy obstacles to get to where I am, and I like to document them. I'm pretty active on social media, and I like to tell you guys about my story, how I built this fund, my commercial real estate business, and how this podcast has helped me become a better investor, a better fiduciary for the pool of investors that I work with. And so I'm going to take a minute, I'm going to share a story I've never shared on this podcast, and I'll read it from my LinkedIn post over here. So check this out. I didn't see my kids for two years. It was hell, but it got me here. I received my real estate license exactly six years ago. We had just moved from Pittsburgh to my wife's hometown, Easton, PA. And our boys were still babies, one and three. There I am on day one. Seven thirty a. m. New territory, no income, living in a rental, on a commission. All of this is true. And my new team leader comes in and hands me a stack of papers with phone numbers and says, "Get to calling." He literally dropped them on my desk, pointed at a script, and promptly left the bullpen. I had never been

in a bullpen. I had never made a cold call in my life. I literally had no idea what I was doing. And it was clear I wasn't going to have proper guidance. At 8:00 a.m. The room starts to buzz with agents feverishly calling on autodialers, racing to be the first person to call and grab a contract. I sat at my desk wondering what's an autodialer the place was a madhouse. Straight out of the Boiler Room, one of my favorite movies. But it worked. I watched the best agents convert a cold call into a meeting and an eventual listing. I acted like I was busy while I audio-recorded the room for a few days, I picked apart the best dialers and mapped out their most successful calls. Exactly what they said, how they said it, and how they did it, and what they did to follow up, I tracked their progress from the call to the property going online. I spent hundreds of hours practicing cold calling in front of a mirror while mimicking YouTube videos on common objections and message handling. I shackled myself to the bullpen and cold called from 8:00 a.m. to 9:00 p.m. every day, including weekends. I literally did not see my kids. I was also in a windowless office, so I did not see the sun, but I did it relentlessly. In my first year, I logged 56,862 cold calls. I studied every piece of data I could to provide value to my clients. I made a lot of promises that I backed out and 30 amazing people allowed me to represent them and get them the highest dollar for their properties. I closed 6.2 million in my first year in real estate. Underdog Story. Because you guys know me now and where I am. You didn't know that I was the guy who was making calls continuously begging for business. So fast forward to today. I cracked the code and became one of the best commercial real estate agents in the game. I led my teammates to close over 250,000,000 – 90% being multifamily within a one-hour radius. And that's in the past –seven years. Now, Real Trends ranked us in the top 100 teams in America. I used my license to jumpstart a successful private equity fund with 29 amazing investors and put \$5.3 million of hard-earned capital to work in our community. That number is now about 6 million. I started an educational podcast with the best experts in the industry. Thank you everybody, for listening. And I helped hundreds of investors reach their real estate goals and cherished every moment. And most importantly, I'm blessed with the ability to make up for lost time with my boys. I am a living example of why you need to make the call. I'll leave you with three principles that govern my life. Start now. Master your foundation. Stay fully absorbed in the process. Do all this and success is guaranteed. There's a picture of my eldest son, and I'm happy to share that story with you. It's been a turbulent road and it's nice to have guests on our program that share that. I usually ask everybody to tell me how you got here. A lot of the people you've seen on the show have a billion dollars assets under management or 500 million, or they've bought 5000 units or even 500 units. And you see that and you

think, how the heck do I get there? Well, I want you to know that you will get there. And the story of Jules Mackenzie will hopefully help you. This guy's a great guest to have on the program to share from where you started to where you can get to. And let me tell you about him. Jules Mackenzie has been investing in residential real estate in Canada for the past 20 years. His strategy has been buying and holding. He's currently holding 13 investment properties. His portfolio is a mix of small, multifamily buildings. He has raised the money to buy properties from joint venture investors. Jules and his wife Angie manage their own properties. And Jules also has been a police officer for 31 years, eleven of which were with the Ontario Provincial Police, and he is currently with the Rama Police Service. We talked to Jules about his knowledge and experience from investing and how they have overcome a bunch of obstacles and challenges to get to where they are. Cheers to all of the underdogs out there. I wish you the best. rei.mba. Thanks so much.

[INTERVIEW]

TG: We got Jules. Jules, thanks for being here.

JM: Hey, thanks for having me.

TG: For sure. I just gave a long-winded intro. Can you give us a little bit about yourself?

JM: My elevator pitch.

TG: Yeah. And get us up to speed.

JM: I'm Jules McKenzie. My beautiful wife and I live in Orillia, Ontario, Canada, which is kind of central eastern Canada. I'm just about to wrap up my career in policing with the Rama Police Service. Along with the Ontario Provincial Police, I had a combined service of 33 years. For the last 22 years, my wife and I have been investing in residential real estate, income properties, mostly fourplexes and five plexes. And our most notable accomplishment to date is this beautiful and profitable, bed and breakfast, short-term rental-type property that we're living in now at 241 Mississauga Street West in Orillia.

TG: And you're there literally right now?

JM: I'm literally right here.

TG: Do you have any occupants in the bed and breakfast right now?

JM: Not today. I believe we had one checkout this morning. So Angie is kind of rustling around, doing the ground work.

TG: That's awesome. Cash flow, right? That's why you're in this game. And you've helped a lot of people over the past few years. Can you share some of the big numbers about what you've done and how many people you might have helped?

JM: Well, I think my most notable deal was in 2005, I had put it out there that to my network of professionals, including my Realtors, that I wanted to do a big deal. And I thought I was going to get into an apartment building. I was having a lot of success raising investor funds as part of my membership. Up here in Canada, we have the Real Estate Investment Network. And lo and behold, one of my Realtors calls me and says, I got 38 units of 45 in a townhouse complex in Orillia. What do you think? And I said, well, how much? And he said, 107,000 a door and I thought, yes, I'm going to do it. And I was a lot braver back then.

TG: When was that time period?

JM: So it was 2005, it was around May of 2005. I was coming off of some financial challenges from some poor investment choices that I had made, so I was unable to qualify mortgages up until that time. I went and saw my appraiser, my real estate appraiser, who had been kind of mentoring me through the process of the other income properties that we'd owned. And we hadn't owned very many by that time. And I told him, I said, I got an amazing deal. It's within a townhouse complex, it's 38 homes. I need to borrow some money for a deposit check. You see, I was still recovering from some

financial challenges in the early two thousands. And he said, absolutely, I'll loan you 5000 for the deposit on the offer and I'm going to have to charge you a 12% interest, which is awesome.

TG: Yeah, I'll take it.

JM: He wrote the promissory note and he secured it against my house, but I guess he really wanted to get his money back. As it turned out, it was the best 5000 of hard money I ever borrowed. I used that money and we put an offer that got accepted on the 38 townhouses for 107,000 a door. Then I took the performance and the pictures and my salesmanship and went down to the following rain meeting in Toronto, met with investors and eventually raised the little over a million for the down payment of closing costs and purchased those homes. We sold the last of those homes. It would have been pre-pandemic. No, I guess it was during the pandemic. We sold the remainder of those homes. We purchased for 107,000 in 2005, and in 2020 we sold the last of them. I think the last purchase and sale agreement we got was 387,000, which has worked out to be a little over a lot of money.

TG: Yeah. Bravo. Congratulations.

JM: We did quite well.

TG: That's really great. So there's a big gap in between there, though, where you've been doing a bunch of other projects and working with folks and all that. That's awesome that you had that big of a turnaround. A couple of things before we move on. Thanks for sharing. Bouncing back and going through some difficulties. I don't think enough people do that just to share one thing. I had a \$100,000 loan that I had to satisfy. It was really difficult, made it through some just horrible times having kids and you really get ripped down, but you clearly bounce back, so that's cool. I would love to talk about that. Some of our listeners are first-time investors or people that just kind of don't know what to do. So how'd you bounce back in that time period? It must have been tough.

JM: It was tough and some mistakes born. Some lessons that I learned and hold true. I like to think of them as my core values, but in order to explain the bounce back, I got to explain the mistakes. So we purchased three properties out of the hopper in 2001. When we started investing our investing journey.

I had taken some courses. It doesn't matter where the courses came from. They weren't applicable to our geographical area, and they certainly weren't applicable to the financial means that you need to navigate with the financiers, the banks. So we went in headfirst buying, rundown, worn-out real estate with the intention of renovating it and renting them out. Now, I know in today's language that sounds pretty basic, but keep in mind, I was just learning how to do this while I'm working twelve-hour shifts as a police officer while my beautiful wife is raising our little children. They were little back then, they're a lot bigger now.

We ran into some financial challenges I didn't have the means to complete. We ran out of money, ran out of credit, and I had vacant apartments. Now, keep in mind, I had two duplexes and a fourplex of which we probably had about four vacancies scattered between all three properties. Didn't know what I was going to do, how we were going to do it, so I was working. I was doing the best that I could. So we had to make a settlement with some of our creditors. It was a painfully difficult time. A mentor friend of mine says, you need to go to Toronto and meet this guy, Don R. Campbell. He's looking at opening a REIN chapter in Toronto. And I was like, REIN chapter. What does that mean? He said. The Real Estate Investment Network. It's from the western provinces of Canada, and he's bringing his chapter to Toronto. So I told my wife, and my wife says, no, I don't think so. And I said, Well, I really want to go. I just want to hear what the guy has to say. He said, okay, don't sign anything, don't buy anything, don't do anything unless you check with me first. Do you promise? And I said, I'm going to do that. Promise I won't do any of that. I went to this meeting.

I met Don Campbell. I met him in the back of the room. I have my business cards because, you see, I had some networking experience from the network marketing days. Part of a particular company which shall remain nameless. But I did learn salesmanship. I maintained my salesmanship and my positivity during that difficult period. I met Don Campbell. He asked me where I was from. I told him it was Orillia. He says, oh, isn't that interesting? He went to the front, started a speech. I was sitting with a bunch of people I really didn't know, and I was in the back of the room. He started talking about this thing called the Top Ten Towns. Essentially, he talked about the Junction area, Toronto. He talked about Pickering, Oshawa, Whitby, which is the greater eastern part of Toronto. He talked about kitchen, Waterloo, Cambridge. And I thought, well, at least I know where I should have been putting my money. And then he talked about the number one area, and he says, if you're investing in these

two towns, you're in the absolute number one area for economic positive fundamentals, and that's burying Orillia. I was like, what? Orillia? Like, that's my town. And I said, Are you serious? Did he say Orillia? I turned to these total strangers and did he say Orillia? He said, yeah, dude, he said, Orillia just calm down. And I just woo. I just jumped up out of my chair. I was whooping and hollering. And Don at the front of the room says and I think if you want to learn anything about those towns, you can see that maniac at the back of the room as jumping around whooping and hollering because I was reinvigorated. I was hope-filled again. I was so depressed over our financial situation. And keep in mind, I still had to go through some hard times to get through that. But we did what we had to do. I would install a window here, I would install some carpet there, put in some laminate and paint, and eventually, we got things turned around. But now I was getting educated from a person that was teaching Canadian-specific techniques to invest in our geographical areas. And that was a big AHA moment and a big positive influence in my life and continues to be I'm still a dedicated Real Estate Investment Network member.

TG: That's really, really awesome, man. Thank you so much for sharing that. That's huge. Here, how about this? Bring me up to speed though, right now internationally, right? I'm in America, you're up north, everybody's seeing a lot in the news, difficulty. Some folks are hesitant for real estate. What are you doing right now? What projects do you have? Tell me about some of the current stuff

JM: Right now. So, some of the fundamentals that I invest on is a 10% solution. So you take the rent that you would get from whatever income property you look at, I multiply that by ten or by twelve. I divide it by the purchase price. If that number equals 10%, then I would proceed with further due diligence. And look at it purchasing that property. Right now, because of the pandemic highs that we achieved, everything's kind of out of whack for me. So I personally have been kind of sitting on the sidelines. I am still investigating deals. I believe that one of the greatest opportunities is on its way. In Canada, at least up here, we had seven interest rate increases. The Bank of Canada increased rates seven times last year. We're looking at another one this coming week.

TG: Same thing over here. What are your rates over there?

JM: So right now, I was getting quoted on a five-year fixed rate at 5.69. It seems high, but when you look at the historical averages of interest rates, I believe in Canada at least, we have a historical average of 6%. So I think we're starting to get interest rates that are back in line. But unfortunately, the valuations and the underlying income that could support the expenses on those income properties just is still out of alignment. So your listeners will have to stay tuned.

TG: There's a lot of meat in there. So you're still analyzing properties and you clearly have some good metrics to do it. Are you still putting in offers? That's the brain.

JM: So I was downtown a few weeks ago looking at commercial mixed-use property in my retirement. I'm looking at ramping up my investing in commercial assets, commercial mixed-use properties, retail office, industrial, light industrial, land, assembly, those kind of things. And I'm going to continue my education to get educated on those things. Having said that, I was down in downtown Orillia looking at a couple of commercial mixed-use properties that are part of an estate sale. The family put this what I perceive as a really unrealistic valuation on these properties. They have vacancies as well. They have rents that really don't support much of the income and the entire both properties need a dire renovation. So I'm a businessman, so I just put in my offer at 600,000 for two properties that were listed in upwards of 1.8 million and just crickets, didn't hear nothing back. So it is what it is. Like, if I'm looking at a deal, the deal's got to work. It's got to make economic sense for my wife and I to proceed. And if it don't, then what's the point? You'll have those lessons that I learned early in my career that I hold true.

TG: Sure. So when you're looking at properties though, what are some of the specifics that you could share with us? More detail. Our show is meant to be nerdy age, unit count, stuff like that.

JM: So there's a lot of older properties in Orillia from like, the early industrial age and the logging age in the early 19 hundreds, the late 18 hundreds. For example. This home that we're in is a beautiful Victorian home from 1889, fully renovated and beautiful. But the commercial mixed-use stuff that I'm looking at downtown is particularly from the same era that we're looking at. And it's mostly retail space on the main level. And then there's stairwells either within that retail space or out back of the space. And there's usually one or two apartments on top. So I'm looking at that kind of thing. In Orillia, you

could rent one bedroom for upwards of \$1,500. You can rent two bedrooms from 1800 to 2000 a month. If you're fortunate enough to separate your utilities, you can generally charge rent plus utilities, heating and hydro. And I've seen commercial rents in Orillia as high as \$22 a square foot, TMI property tax insurance plus rent. And I've seen it also as low as \$9 a square foot. So it's just kind of all over the place, and as the economics change up here. I think that rents and valuations will come more in line with the upcoming or recent interest rate changes.

TG: Yeah, that's the fun crystal ball stuff. You mentioned raising money. Everybody, people are a little fearful of it if they don't know what that means. Who are you working with? Accredited investors. How do you raise capital? You had to learn that process as a police officer, right?

JM: No, I sure did.

TG: Can you share some of that?

JM: The first thing I had to learn was these are my prospects, they're not the suspects. So I had to get that through my head. Right. So a lot of reading, a lot of seminar attending, and I think that the experience my beautiful wife and I had when we were drawn into a network marketing company. I read their books, I actually went to the seminars. I actually took the sales training. That really taught me a lot. My first round of investors were from the Real Estate Investment Network. My fellow investors that I was sitting at tables with shoulder to shoulder, learning and exploring and looking at real estate investing. That's pretty much my first round of deals were person to person. As I get closer to my retirement, I'm looking at going back to get educated, reeducated. Up here we have universities, so I'm looking at getting some accreditation so I could get some letters behind my name. A) to have that credibility with accredited investors if I decide to form a real estate investment trust to invest in my income properties, B) I just want to make sure that I know what all the chess pieces are, and I want to know what each of them can do so that I can facilitate more efficiency in my real estate investing, not just for me, but for my investors.

TG: I love it. It is all about investing in yourself, education, and getting. I mean, that's why I started this podcast. I was like, I could talk to a bunch of smart people.

JM: Well, thank you.

TG: Yeah. Take what they know. So when you're raising money right now, what's an investment that somebody would put in? What's your client profile like? Are these people friends and family? Are they out of town?

JM: Mostly friends or people that I make acquaintance with. But we usually have something in common that we're part of a common network of friends or students. Being the real estate investment network. Up in Canada, financing rules generally dictate that a conventional mortgage is 20% down. So that's what I raise. For example, the property was 100,000, 20% down would be 20,000. So I would raise that from an investor and explain to them that I'm going to manage this deal. I'm going to collect the rents I'm going to deal with Delinquencies, I'm going to deal with the maintenance. My wife is going to do a financial statement to report the progress of how this property is performing and we're going to hold onto it. We're going to hold on to 5,10 years maybe, and say the property value doubles. Now it's worth \$200,000. When we decide that we're going to sell, we sell that property. The first thing that we do is return the investor's capital, the 20,000 the investor gets back first, and then the new equity, or the new 100,000 that the property went up in value, 50% of that goes to the investor and the other 50% comes to me. And that's essentially when I get paid.

TG: Sure. I love it. That's the right way to be. Make sure you put your investor first. Very cool. So how about some crystal ball stuff?

JM: I think as we move forward in this particular economic cycle, I think as the US, we're going to experience another one or two interest rate hikes in 2023. Right now, as I spoke previously about the residential side, a five-year fix is coming in around 5.69. Where I want to be in the commercial mixed-use realm. Those are commercial mortgages at a lower loan-to-value, but the interest rates are significantly higher because that's just the beast that commercial real estate investing is. And those rates are coming in at seven, eight, and some lenders are 9%. So I think as we continue in the cycle, it's probably not going to be so much this year, maybe more so next year we'll start seeing valuations come more in line with the fundamentals that I'm looking for. And I hate to say it, but perceived

valuations will have to come down at least 30, 40%, maybe even 50% in some cases for things to make economic sense.

TG: That's awesome. Thanks for that answer. We're coming to time soon. So I got a weird one. How has being a police officer helped you in real estate? Or how does it help you today, right now, with what's going on?

JM: Being candid, people want to invest with people that are credible. Being a law enforcement officer does give me some semblance of credibility, although, unfortunately, in years gone by, my colleagues, for lack of a better term, had made poor choices. But that's for another podcast. I think it's knowing your numbers, knowing what you know, but having a track record behind you that can prove that you've overcome obstacles and challenges and not so much selling yourself or pitching the deal, but being able to show with all credibility that, hey, I've been through the grind and I've come back and we've established some great results. And if you want to participate, you're more than welcome to.

TG: I love it. I love it.

TG: Last, kids?

JM: Yes. All my kids are adults now, so my oldest is 30, my other two are 25 and 23. I've helped two of them purchase their own homes so they have a home with an income suite. Oh, absolutely, yeah.

TG: Got to hand it down.

JM: Got to hand it down. You got to build that legacy. I want my picture to be on the mantle two or three generations from now to say, that's the guy that did this.

TG: Yeah, that's the guy who suffered through it, man. I love it. Love your attitude. Super wish you the best and prosperity. Thanks for being on the show.

JM: Thanks for having me. It was great. Thank you.

TG: For sure. All the show notes are over there. You can get a hold of Jules anytime. And really just a good resource, man, you know your stuff. I appreciate it. Thanks for being here.

JM: Thank you.

TG: It's Real Estate Investor MBA. Tejas Gosai, rei.mba, iTunes, Spotify, Stitcher, everything. Cheers.

[END OF INTERVIEW]