

JW S04E06 Steven Andrews

Mon, Jun 03, 2024 12:17PM • 18:30

SUMMARY KEYWORDS

property, real estate, money, people, rent, rental, organized, bought, years, business, investment properties, consulting, evaluate, absolutely, good, pay, wealth, payment, day, management software

SPEAKERS

Pat Bolland, Steven Andrews

Pat Bolland 00:16

Here on the Just Word podcast, we often talk about investing. We talked about stocks, we talked about bonds, we don't often talk about real estate and in particular rental real estate. So Steven Andrews is a real estate investor. He's a business coach, founder of SoarX Consulting, and also an author, the New American Dream, a Simple Roadmap to Purchasing Investment Properties.... Steven, a real pleasure to have you on the show.

Steven Andrews 01:17

Absolutely. Thank you so much for having me.

Pat Bolland 01:20

People don't often talk about investment properties. And you got into this about a decade ago or so with virtual even Andrews no money. How do you do that?

Steven Andrews 01:28

Absolutely. You know, so my journey started over a decade ago, I was raised by some great parents and they had a business of their own. And so they still kind of entrepreneur mindset at a very young age. And when I went to High Point University, I took a real estate class my senior year, and just fell in love with real estate. And so I knew I wanted to get into real estate, I was too scared to get into it, you know, the fears of doing something new. And luckily I was I was able to link up with a mentor named Joel is still my mentor to this day. And he kind of really helped ease all those fears. But to your point, I didn't have any money, I was \$75,000 in debt, most of it student loan debt, there was a made a great financial decision as a 22 year old to buy a brand new car, that's such a great investment. And so I was making 45,000, over two years, I didn't have a lot of money left over at the end of the day, and Joe was telling me hey, all you got to do is just figure out a way to get that down payment. And, and how I did it was I had a credit card. Now before people said, oh gosh, a credit card, back then it was 7% interest if you got a cash advance off the credit card, so much different landscape today than what it was then. But that's what I did, you know, I took a cash advance off a credit card. And that was my down payment about the first property and, and I bought the worst house on the block. And that's been

my investment strategy, all 10 years, I've been in this business because there's just so much more upside to it. And so then I took another cash advance off the credit card and fix the property up. So now it's one of the best on the block. And then I refinance that property with a bank and pulled out my working capital and pay the credit card back off and roll the extra working capital, right into another property. And so I've just done that hundreds of times and worked quite well for me.

Pat Bolland 03:25

Okay, that's a great success story. But the key to it all, at the beginning is getting a good deal on the price, I would think. So what do you do? What do you research to look into? What's a good deal?

Steven Andrews 03:39

Absolutely, you know, so there's several different ways that I evaluate a property. You know, for one, I don't want to buy the best house on the bottom, just because the upside isn't going to be where I want it. I want to buy the worst house on the block. I want to see a cosmetic issues potentially. So when you go and you look at it, you know, there could be broken windows, there could be a few holes in the wall. It might be new floors, or carpet, LBP. But all that stuff can easily be done. And you can get that stuff done pennies on the dollar compared to if you bought the best house on the block. You're paying somebody else a lot of money to make those repairs. And so that's how I really evaluate properties. From a condition standpoint, the next is is the numbers. How much is it going? Or how much can I get the property for compared to how much can I fix it up for compared to then how much is it worth? And then how much can I rent it for? And so I always run those numbers. I tell people don't buy a property and rent it out just to say you want a rental property it needs to make money because it's a long term hold you know, so you're not just holding a rental property for two or three years. You're holding it potentially for 10,15,20,30 years. And if you're not making any money on it, while you have a payment or loan on it, you're really going to get burned out. And so run the numbers, run those numbers conservatively. And if you run them conservatively, then if the market takes a turn, or tanks or whatever the case may be, you're going to be fine, because you ran it based on worst case scenario, not the best case scenario. And I think if you do all that, you'll be in a much better position. When you're buying rental property.

Pat Bolland 05:26

I'm a little surprised to hear you say, trying to always make money on your rental, because doesn't it make sense they just break even on the rental, if you're pressed breakeven on the rental, because the price appreciation will bail you out over time. And if you're looking at 10 years, it probably works, doesn't it?

Steven Andrews 05:43

It does it does, and for me, I just didn't want the minimum. Right. So you know, for me, I wanted to create something that I can live on. But then I also made made money over time, because it's appreciating. And for me, I looked at it from the standpoint, I want my business, almost quote unquote, recession proof. And what I mean by that is, if I evaluate everything up front based on worst case scenario, well, I'm buying properties based on worst case scenario. So if I ever hit worst case scenario, I'm still making some money. But you're right, you can easily deal breakeven at the end of the day. And it's still going to appreciate over time, and you're still going to make money over time once you sell the

property. But I wanted to make some along the way too, just because it's just so hard to from a mindset standpoint that you break even month after month. And sometimes you lose sight of okay, 10 years from now, this property is gonna be worth way more. And and then a lot of people say, You know what, I've had enough, I don't care about 10 years from now, I just want to get out of it, because I'm not making anything now. And so it's more of a mindset thing for me.

Pat Bolland 06:50

Psychological. Okay, financing, you started off when rates low, Have things changed significantly in the way you would advise people?

Steven Andrews 06:59

Absolutely. You know, I think that 10 years ago, and some of my rents have doubled and tripled in 10 years. And I've even seen rents double since the pandemic happened over the last two or three years, where some of that doesn't make a lot of sense, right? While rents would be doubling during a pandemic, but but they have and so I do evaluate things a lot differently. Now. Even the financing landscape is a lot different. And interest rates are a lot higher. Banks are a little bit more conservative of how they lend money. But then there's also so many other avenues out there that you can, you can get financing from, from hard money lenders, to seller financing, to just kind of more creative deals that allow you to get in to this great business called Real Estate a lot easier. And so for me, it still goes back to the numbers thing. I know a lot of people right now are so fixated on the interest rates on what they are. But for me, I'm, I'm okay with a little bit higher interest as long as I'm still making money, right? Because at the end of the day, you know, the way I view real estate, it's the only thing in the world that allows you to use someone else's money. Someone else pays your mortgage, and someone else pays you money on a monthly basis. And you make money over time because it appreciates. And there's nothing else in this world that allows you to do that other than the stock market, right? But you actually have to have money to get into the stock market where real estate you can use someone else's money.

Pat Bolland 08:31

Yeah ... That's always a bit of a risk. The other risk is the rental side of things. And tenants, I think would be a problem or something to look into. How do you get a good tenant? How do you know?

Steven Andrews 08:46

Absolutely, you know, you have to create some standards for yourself. So I learned this lesson a long time ago, where when I first got in the rental business. I'm a nice guy. So I got a big heart. And you know, you hear the stories and they've affected people's lives. And you want to give somebody a second chance. And sometimes it works. Sometimes it don't work, right. So lesson learned there. Now I have standards, right? So for me, you have to have a minimum of a 600 credit score, you have to make three to four times the rent income on a monthly basis. You can't have an eviction in the last three to five years, and we evaluate those evictions on a one off basis. So isn't an eviction because you tore the property up is an eviction because you didn't pay rent isn't an eviction because your landlord is just selling the property and you had nothing to do with why you were being evicted. You're actually a good tenant, you know, we evaluate all those separately because you know, they all have their own merits. And then we look at rental references. Be sure don't get a rental reference from from a family member or from a friend. You know, because people you know then Sometimes I bought this stuff, right, you

know, they, they elevate their friend or family member more than what they should have been. So we always look for, you know, an supervisor, we call your past work experience, we call your previous landlord, you know, we want to know everything that we can possibly know about you. So we can make the best decision and reward you, if you've been a great person if you've done everything wrong. But unfortunately, you know, if you haven't done everything you need to do, then you know, we won't rent to you,

Pat Bolland 10:37

Steven, I have five children. And when I had the first one, it really didn't change our lives, my wife and I's lives, you know, we would take the baby to the restaurants and go out and so on. Once we had the second, it changed our lives. And then we went from there. But you've done the same thing with housing, you've got one and now you've got hundreds of properties. How do you stay organized?

Steven Andrews 10:58

Absolutely, you know, you cannot manage five properties, the same as what you manage 100 properties, right? You can't manage, right, you know, you can't manage five with 50, you know, the same way. And so you're right, you got to be very organized. And for me, a year ago, I took my property management company 100% virtual, so I got virtual assistants, I got virtual managers that manage everything we we did away with the the actual brick and mortar building. And so we just rent that out. And so now everything's virtual. And by doing that, we became so much more organized. And so we use a rental management software called rent ready. The founder of that was was a landlord, and he wanted something that was inexpensive, and he wanted to be able to help people and share that with people. And so that's the one we use. There's some that are far more expensive, and gives you all the bells and whistles that you need. But I highly recommend whether you have one property or two properties, or 100, get some sort of rental management software, because tenants can pay on the via the portal, they can submit service requests through there, you can rent the property through there, it's so much easier to do background checks and credit checks. And you're just more organized, you know, you have a software, my software, I have it set up for every time you're late on rent, you know, so I rent late. On the fifth, they'll get an email or a text every day that they're late. And so instead of me having to pay somebody to call people have a rental management software that's doing everything for me. So it's almost like an additional team member. So you got to stay organized there. You want to have a great filing system you want to be organized with, with your maintenance and your insurance and make sure you get pictures before somebody moves into your unit and have all of that stuff organized. Because the way life works is you're going to need that stuff, when you least expect it. And when something happens, right. So you don't have a ton of time to go searching for a bunch of stuff. That's why you have to be organized up front.

Pat Bolland 13:07

Okay, the stock market can return over time, on average, something like 8% depending on whether you're in Canada, the United States, those kinds of things, but it's a good rough number. In the rental industry, what kind of returns can you expect over time? And I'm not asking you to reveal your margins, but what what would it look like?

Steven Andrews 13:27

Absolutely, you know, they range... we have right now here in the market here in the States, there's certain markets that people are only getting a 1 to 2% return because they bought it at such a high price. And so for me, I didn't buy anything at a high price. And I still to this day, even with real estate being as high as what it is a stay away from the super hot stuff. And so, um, sometimes you got to go into smaller towns or in stay away from your bigger cities to be able to get that better deal that I want eight to 12% return on my money, you know, and I've gotten that some of my deals, I'm getting 15 to 20%. And it just depends on what you buy it at. And so I tell people, you don't make money on real estate on the sale, you make it on the bar. And so what I mean by that is, you know, if you get a good enough deal, then your payments going to be lower your your margins are going to be better. And then over time, you're gonna have way more equity in the property. Because if you bought high Well, that's the one thing that you cannot change in a property is what you bought for. And so just say for example, you bought a property at 50,000 and that's that's low and it appreciates to 150,000 You're gonna be great. But if you bought that same property in 100 house and only goes for 150,000 Well, you know your margins are starting to get a little bit tougher and so you want to make sure you're buying things The correct way, and getting a good deal because the deals are still out there. It's the same way. When you buy a car, right? You don't go by the first car, you see, you want to shop around, you want to make sure you're getting the good deal. And I anticipate in I tell people, that's what the same thing you need to do with real estate as well.

Pat Bolland 15:21

Yeah. And that goes back to the beginning of our discussion, get a good price at the get go. Also, at the beginning of discussion, I mentioned that you're the founder of SoarX Consulting. And you got a bit of a contest on tell me about that.

Steven Andrews 15:33

Absolutely. You know, so it's kind of all comes full circle for me, you know, when I first got in this business a decade ago, I had a great mentor, Joel, that's still part of my life ... still mentor to me to this day. And I wanted to start giving back. And so I wrote this book called The New American Dream is simple roadmap to purchase an investment properties. And it's been great. It's a bestseller list. And it's just been such a blessing and been able to help people. And so I wanted to do something even further, a bigger extension of that. And it's called SoarX Consulting, where I help people that next generation get in to real estate. And I meet people where they're at, and whatever that looks like, you've never bought a rental property to, you've already gotten 50 rental properties, whatever that looks like, you know, we have a course in the book that really helps people know how to do this business. But to your point, we just started a giveaway, at SoarX Consulting, where we're going to give someone a chance at winning a half a million dollars to go towards real estate. And so it's just been a ton of fun, there's several different ways to get into, obviously, there's free ways to get into it. But then also, you can get into about purchasing products on the site, there's some T shirts on there, there's the books of the course, for every dollar you spend you, you get in or one entry for every dollar you spend into the giveaway, we're also going to give away \$1,000 Every month starting in June. And so every single month, we'll give away \$1,000 to help go towards your real estate dreams and aspirations as well. And then come January will be the ultimate giveaway, we'll we'll draw a person's name, and we'll fly em in here to North Carolina and then we'll play a game and we'll have a chance to win and a half million dollar. So it's just been a ton of fun. You know, we want to raise kind of awareness of real estate and

what real estate can do for people. But then I think about my own journey, I didn't have a ton of money to get into this business. So what better way to give back is to potentially give some money away to help somebody get into this business. So you know if anybody's interested in it, you can go to soarxconsulting.com or shop.soarxconsulting.com as well. We're also on Facebook and Instagram. If you searched SoarX Consulting you'll find us there and just really, really excited about the months to come.

Pat Bolland 17:59

Even I'll leave the link as well. Thanks so much for your time. Great story.

Steven Andrews 18:02

Absolutely. Thank you so much for having me. Steven Andrews, author of the New American Dream, a Simple Roadmap to Purchasing Investment Properties.