Goalden Girls Podcast
Episode 77:Interest Rates Are Rising: What Other Investors and Real Estate Experts are Doing in Times of Uncertainty and recession

00:00:00 Both new and seasoned investors are hitting pause on real estate right now. The reason rising interest rates in 2022, the Bank of Canada did seven increases on the interest rate. And now on January 25th, 2023, the Bank of Canada raised rates yet again kicking off this year with even higher interest rates after years and years of historically low rates. The last 12 months have seen things shift massively as real estate investors.
00:00:30 We've noticed it. If you have a variable rate mortgage, you've noticed it too. Realtors have noticed it with slowdowns and I recently saw Hilarious Real from one of my mortgage broker friends now this reel. And I thought it was funny. And she's someone a hugely respect, shows her in 2022, exhausted, barely holding on, running around like a chicken with her head cat off in Juxta,
00:00:55 positioned with her in 2023 as a mortgage broker, cruising Netflix, sitting on her couch wearing a Snuggie. So we're all noticing it and the question really is what is a real estate investor to do and what does the future hold? The truth is none of us have a crystal ball, but for this episode I ask some of my favorite real estate experts,
00:01:12 fellow investors, mortgage brokers, realtors, and people who do many of these things for their words of wisdom. The guests on this episode have decades of combined experience and are true experts in the field. Today's guest experts include two mortgage brokers from different sides across the country of Canada. We've got Ryan Zupan and Leanne Nicholson. Both Ryan and Leanne are also real estate investors.
00:01:33 So they have a well-rounded perspective and a deep understanding of what investors are facing because they're in the trenches with us. I've also invited my husband, Troy Show and Dave dup, who's one half of the investor, Mel and Dave team, to share their experiences at multi-family investors. Dave is also a realtor between Troy and Dave and Mel and I, their partners.
00:01:54 Over 300 doors have been purchased and there's a whole wealth of knowledge to learn from them. So what did I ask these people? I asked them four questions. I wanted to know this. I wanted to know what each of these people are doing to protect their own real estate portfolio. And like I said, for this episode, every single one of them has one.
00:02:12 I also asked them how rising interest rates have changed their strategy. I asked what their opinion is on interest rates and what they'll do over the next one to five years, just their opinion. No crystal balls here, I'm sorry. And I also ask them to share any tips or suggestions for other investors at this time. Before I hit play on all of our guest experts words of wisdom,
00:02:32 I have got to read the official disclaimer. The views and opinions expressed in this podcast are provided for informational purposes only and should not be construed as an offer to buy or sell any securities or to make or consider an investment or course of action for more information. What you hear today is not financial advice. We are not licensed financial advisors, lawyers, mortgage brokers,
00:02:53 or real estate professionals. Well, let me say this, some of these people are mortgage brokers and real estate professionals, but this is is not a substitute for getting your own personalized professional advice. This is not a substitute for professional legal real estate or financial advice. And in a platform like this where we're speaking to a lot of individuals each with your own journey,
00:03:11 your own circumstances and own goals, it's super important to get personalized advice. I encourage you, as I do for everyone to build a trusted team of professionals and consult with them to support you in your personal situation with your individual goals. Now, whether you're a seasoned investor or just getting started, this episode is gonna give you valuable insider insights and tips for navigating this ever-evolving interest rate environment.
00:03:33 So sit back and relax and now easier said than done with these rates, but join me in taking a few deep breaths in and let's listen together. Welcome to the Goalden Girls Podcast, where we believe you can have it all. I'm

your host Lisa Michaud, and I'm spilling tangible tips, goal getting strategies and real life stories to inspire you to tackle your biggest dreams.
00:03:57 You're a woman who knows you're made for more. Get ready to leave the excuses and self doubt behind by being vulnerable, sharing your truth, and having honest conversations so you can succeed on your terms. Together we'll set goals you'll actually achieve by staying motivated, having fun, and building a community of women empowering women. It's time to tap into your best self,
00:04:20 get confident and truly have it all. Goalden girl. Let's dive in. Hello and welcome to the special guest Roundup episode of Goalden Girls Podcast. All about the fact that interest rates are rising and what the heck are investors doing. Now today you're gonna hear from other real estate investors and experts including mortgage brokers and realtors about what they're doing in this time of uncertainty.
00:04:44 Specifically, I asked our four guests these questions. Number one, what are you doing to protect your real estate portfolio? Number two, how have rising interest rates changed your strategy? Number three, what's your opinion on interest rates and what they're gonna do over the next one to five years? And number four, do you have any tips or suggestions for other investors at this time?
00:05:03 To kick us off, we have Dave dpu. Dave is one half of the investor Meade team and he specializes in buying properties using other people's money. OPM and no joint venture partners. To date Melon, Dave have purchased over 240 units in five countries, including Canada, the us, Mexico, the Dominican Republic, and Costa Rica. So here's what Dave is doing in his portfolio,
00:05:24 what his productions are for the next few years, and his tips and advice for other investors. Hi there, it's Dave from Investor Mel and, Dave. So lemme go through these questions. What are you doing to protect your real estate portfolio? So we're continuing to do the exact same thing we've always done, right, and in order to protect it, we're making sure that the deal makes sense in the beginning and that it's also being stress test so that it makes sense over the next while as well,
00:05:47 right? So making sure the ratios are in place that it cash flows and, and doing some scenarios where if things fluctuate like they are right now, that the asset still makes sense and still falls within parameters, which is why we bought it in the first place. Next question. How have rising interest rates changed your strategy? So I guess this really compounds on what I was previously saying it,
00:06:09 it honestly has not changed our strategy and, and if I give you an example, I've looked at deals where it's 0% interest rate and the deal still does not make sense. Okay? So I've looked at, we've done a lot of deals where it's been higher interest rate, sometimes it's double digit interest rate and the deal still makes sense. So it's really on a case by case basis.
00:06:28 It's underwriting the asset itself and seeing what the debt servicing can support. So the rising interest rates has not changed our strategy to be honest with you. What is your opinion on the interest rates, what we'll do over the next one to five years? I'm thinking that it will still go up another, there'll still be a bump up next time they announce.
00:06:49 I, I still see that happening. And then what I'm thinking is from talking to economists and mortgage brokers is hopefully in quarter three or quarter four, probably quarter four of 2023, that things will start to to, to possibly go down again or even maybe the beginning of 2024. So that's, that's what the, the mortgage brokers and economists are telling me.
00:07:11 So that's kind of what I'll, I would lean towards. And any tips or suggestions for other investors at this time? Yeah, absolutely. So the volatility in the market is, is also an opportunity, right? There should be some real estate coming up because some investors did not stress tests, did not have an exit strategy, did not ensure that their deal made sense initially and it might have only made sense or at,

00:07:34 at the 2%, right? The rock bottom interest rates that we all experienced over the last couple of years. Well, now that we have the sobering fact that interest rates are going up, I just want to really reassure and and, and tell investors that you should be underwriting deals at high, you know, single digits, right? Have that insulation,
00:07:58 have that stress test, have that insurance factor in there that if you're gonna buy a deal, if the rates do go up and you need to refinance in a short period of time, what does that look like? A and I'd rather you not buy a deal because you don't have that, that cushion than buy a deal right now, which is that short term gain and then have that long term pain that the deal doesn't make sense in the next little while.
00:08:23 So that's what I would suggest. You have to know your numbers, you have to underwrite it properly, you have to stress test it, and you have to ensure that it doesn't just make sense today that it continues to make sense long term. So thank you very much and like I said, again, I'm Dave from the investor and Dave and appreciate your time.
00:08:41 Bye for now. Dave's advice really focused on the fundamentals. Always remember to stress test your deals to have an exit strategy and ensure that the deal, any deal makes sense long-term. I think it's really important to hear this because the strategy hasn't changed. You always wanna make sure that a deal makes sense in the beginning and stress test it for the future to make sure it's gonna continue to make sense.
00:09:02 So you avoid, as Dave says, the short-term gains with the long-term pain. As you can hear, Dave is evaluating each deal on a case by case basis, a theme you're gonna hear a few times in this episode. I also have to say that I love what Dave said. He said he saw a deal at 0% interest rates and it still didn't make sense.
00:09:19 That is a great aha there. Interest rates are certainly one factor, but they're not the only factor to consider when it comes to purchasing real estate. And this example underscores that point well that there's a lot of other things to consider in addition to interest rates when deciding whether a deal makes sense or doesn't. Finally, I do really appreciate Dave's reminder that there's gonna still be opportunities,
00:09:42 there will be investors who did not stress test and will need to get out of the market. I also have a feeling Dave didn't say this, but I can see it, that people are gonna get scared. They may decide to leave the rule of estate investing world for the right investor, for a savvy investor who's doing their due diligence. There's certainly gonna be opportunities coming up and I appreciate that reminder.
00:10:02 The optimism and positivity is often missing from this conversation. So thank you so much today for bringing that and thanks Dave for that great advice. Up next and we have Ryan Zupan. Ryan has been a senior mortgage broker for the last 14 years and operates all across Canada. His business focuses on information in making sure clients are well-versed in their product options, but also in ensuring they have the support over the long-term to optimize their financing.
00:10:27 A big part of his job is helping clients think through the future and then equipping them with a long-term service to help navigate that future. He's been our personal mortgage broker on a few deals and everyone we've referred him to always comes back with Ray reviews, he's spoken at our events and somehow Ryan manages to make mortgages, financing and interest rates interesting, approachable,
00:10:47 easy to understand and always do the side of hilarity and some spice. Plus his Christmas cards are the best ever and I suggest you reach out to him and make sure you're on his list solely to get his Christmas card. So here's Ryan Zupan. Hi, I'm Ryan and thanks again for having me on the podcast. All right, so what am I doing to protect my real estate portfolio protecting a real estate portfolio?
00:11:14 I mean it's largely about planning for the unexpected. You know, you do this long enough, you realize no expert has a hundred percent batting average at projecting the future. And events can transpire that really no one predicts. So expect the unexpected interest rates had been so low for so long that the potential for them to be higher in the future was quite high.

00:11:34 So for us during the pandemic, we reaffirmed our time horizon, recognized that that we weren't gonna be selling or refinancing and you know, we locked in a new fix rate mortgages when they were ultra low big. Part of the reason we were able to do that was by being in products that had low penalty exposure. So prioritizing flexibility and nimbleness even though,
00:11:54 you know, we weren't planning on selling it, it really paid off there as we, it allowed us to take advantage of, of better financing that unexpectedly came along Following the pandemic, how have rising interest rates changed our strategy? Well, my concern with what's happening this year is that it does appear we've moved out of this multi-decade long-term trend of lowering interest rates.
00:12:18 We have the breakdown of globalization. We have, you know, really what's been a lack of investment on the energy space, still need energy. I suspect we've moved into a higher regime of higher overall inflation, which would suggest higher interest rates than what we've grown accustomed to insert tiers. But we're planning with my wife and I, we're planning a substantial renovation to,
00:12:39 to our primary residents, which has shockingly gone overboard in terms of budget. That never happens. I've never seen a client that has re going over budget, but if this were last year, I think what we all rates were ultra low, I think what we probably would've decided was to utilize some home equity to just get all the work over in one go and have something close to our dream home.
00:13:02 Now, unfortunately, I mean we've kind of shifted that to deciding not to take out any new financing. I mean we have a, a rental presale that's completing some time next year. So we do have that added risk exposure, which has made us a little bit more cautious here. And yeah, we've decided to use our own cash and sadly we'll just have to continue with the,
00:13:21 the dreaming part of the dream home renovation. But yeah, the other piece I'll add to this is higher mortgage rates. I mean it's definitely a headwind to real estate prices. So, you know, last year everyone was buying real estate prices were quite high. It was, it was tough on the buy side this year and the year that I expect we'll see ahead is,
00:13:40 is gonna be totally different from that. I mean the opportunity that's created, it's accelerated our plans to look at acquiring another rental in Alberta. So we're gonna look at that doing that next year. And that's also part of the reason why we decided not to, not to amp up the leverage on our primary with the, you know, the opportunity that I think we're gonna see in the next,
00:14:00 continue to see in the next year here. My opinion on rates in the next one to five years, well, I mean as I touched on earlier, a lot's pointing to us moving out of this long-term trend of ultra-low mortgage rates. So overall I think we'll be used to getting used to higher interest rates. There does appear to be an underlying buildup of higher inflation,
00:14:19 one to five years, awfully a long time to make rate forecasts. But what I suspect will happen is we'll get at least one and could easily be more rate hike rate hikes. I mean we are does appear, we're getting near the end of the cycle, but we're not quite there yet. They'll pause and then I think rates will probably stop dropping,
00:14:36 start dropping in mid 2023. I would wager rates will stay low for, you know, one to two years following that. Like I do think we were gonna fall into a, you know, pretty nasty recession with, you know, all the demand that was pulled forward from the pandemic and you know, a big void that that's left. But instead of,
00:14:55 you know, the two to 3% fixed rates that we've kind of all grown to come and love, we're we're likely looking at something in the three to 5% range. You know, not great, but that's, that's kind of more closer to to normal historically. In terms of tips for investors, I mean really look at your debt, understand how higher interest rates can impact your cash flow,

00:15:14 especially if you own multiple properties. I mean, as the, the risk can really be amplified there. So look at the portfolio as a whole plan for the worst. Hope for the best. I mean be sure to have cash flow or dry powder to ride out any periods of, of high rate volatility because you know that can be expected. You know,
00:15:32 things you can do if you do own multiple properties, I mean good strategies to kind of mix up your terms so don't have all your terms expiring in the same year, you know, that can work out great but they can also work out quite poorly and amplify things if, if rates are significantly higher at that renewal date or consider mixing up fixed with variable.
00:15:52 You can do shorter term fixed rates if you, if you like that flexibility. But you know, being in the same product can again, just like having the terms coming up at the same time amplify the risk. Long-term Canada, we're only continuing to up their, our commitment to immigration here. So we just don't have enough housing supply across Canada as a whole.
00:16:09 Higher rates that's created opportunity on the purchase side. So don't rush into anything but look for opportunities. I mean this has definitely created a better environment for buyers and I don't think that's gonna change in the next year. Thanks again for having me on. Reach out to me anytime. I love to talk about this stuff. You can get in touch atRyan@zupanmortgage.com.
00:16:27 Thanks. What I really appreciate about Ryan sharing his story is that he shared the personal example of him and his wife deciding not to do their dream renovation. There are situations where people are hitting pause and I think it's important to talk about that, talk through what those decisions are and why people are making them and when it makes sense and when it might not.
00:16:48 I also just wanna note the difference. You might hear that why Ryan has paused versus why you're gonna hear that other investors haven't. It's potentially the difference, and this is how I see it anyways, the difference between spending money on expenses versus investing money in assets. The renovation that Ryan's talking about as nice and dreamy as I'm sure that it is. And unless I miss something.
00:17:10 And so Ryan feel free to tell me if I am, but his home renovation is not gonna make him money at this point. The renovation is an expense, it's something that him and his wife obviously want, but it's not gonna make him money. Now I want you to contrast that with what you're hearing other investors doing and the idea that we're of buying assets or buying investment properties where the whole point is to earn money.
00:17:31 So if the interest rates rise and the deal can still make you money when it comes to investing, you don't necessarily have to stop. But if we're talking about an expense, something that's simply an expense such as a home renovation, a dream trip, if that price increases and there's no way to offset that with higher income, that's I think where we're gonna see purchasing decisions change and people making different decisions when it comes to real estate.
00:17:52 And for the record, Ryan, I really hope that you do get your dreams home sooner than you think. Also, I love that Ryan talked about the opportunity too, the fact that less people are going to be buying, that there's going to be more opportunities. I appreciate that optimism and that perspective and it's reassuring to hear that there are people making educated guesses and intelligent decisions about what's next when it comes to investing.
00:18:12 Ryan also had some great points, the reminder about immigration in Canada, how there's not enough supply and one of the things, the last thing I'll say here, I really, really think it's brilliant what Ryan said about looking at your portfolio as a whole, looking at your debt in total and what Ryan suggested is basically hedging, you know, getting some different products,
00:18:31 different time spans, some variable, some fix to give yourself some, some flexibility. And like you said, that could be good, could be, could be harder in some cases. But I do think it's a really great idea to look at your portfolio, to step back to look at all your debt and in that plan for the worst and hope for the best.

00:18:46 Thank you so much to Ryan for being on the podcast and being such a wealth information and for all the Christmas cards over the years. All right, now we have Leanne Nicholson. Leanne is a real estate investor and mortgage agent with a reputation for achieving and exceeding client expectations. She's passionate about helping others achieve passive income and financial freedom through real estate investing.
00:19:09 Leanne and her husband Mike have successfully purchased multiple properties in the USA and Canada using creative financing and the power of their network as a licensed mortgage agent. She also has the ability to help pull clients, help clients pull equity from existing properties to purchase new ones both in Canada and abroad. Now without further ado, let's hear from Leanne on her tips and strategies for real estate success in this current interest rate market.
00:19:36 Hello, it's Leanne Nicholson from Nicholson Mortgages and I wanted to thank Lisa for allowing me to take a few minutes to talk about interest rates today. So what my husband and I are avid mortgage agents as well as real estate investors and what we're doing in looking at our portfolios, one thing is we do have variable interest rates on a few of our properties.
00:20:05 So, and we're in a static interest rate, which means that no matter how the variable rate fluctuates up or down, our payment actually stays the same. It's like a fixed, fixed payment in the end if it does rise, which we have seen because we did get, we started these variable mortgages at the, the lowest that we had seen interest rates in forever.
00:20:38 So now in the end when we go to renew, they're actually going to amortize that even farther out because we haven't been paying enough towards our principal. So to cont counteract that is we actually put extra money and I increased the payment. So we were fortunate that with our properties, we always had made sure that we cash flowed well in our, in our properties.
00:21:13 So if something changes like in, in the environment that we're in, that the variable interest rate went up, we had room to actually make larger payments if we needed to, you know, and do what we needed to do to make sure that our property is still sustained through through these times. So rising interest rate strategies, they haven't really changed our mindset in that we are not buying anymore.
00:21:44 We certainly are, but it has changed us a little bit that it's made, made us look to see is it worth pulling equity out right now So and is there other ways to gain the money that we need instead of pulling that equity out? So we use a lot of other people's money O P M to to kind of wait to pull. So we have,
00:22:13 we do have a mortgage rate now with a fixed in the fixed rate. At the time we thought oof it was 2.9% and at the time, I mean there was rock barn going on and now we look at it and it's like oof 2.9. That is a fantastic rate in the rate environment that we're in. So we're not necessarily touching that one right now because we don't have to.
00:22:36 So we're leaving that ride a little bit and not pulling equity out. If, if we really, really need it, we will, but it's a long hard look at it right now, interest rates in the next one to five years. Historically we have never seen what they dipped to in the past couple years during Covid. But in the same token,
00:23:04 I just had seen a table that showed the average of the last 25 years and that fixed rate right now as we're sitting right now today is in par with the average of the last 25 years. So people look at interest rates between five and 6% is where we are right now with the fixed rate and they say, oh my gosh, that's crazy. We've been spoiled the last two years and we had rock bottom rates,
00:23:36 but now when you average it all out, we're actually right on par for where we're where we're at. So what can you do at this time going into another mortgage, into another investment property, purchasing a house or an investment property? What we're saying to clients, if you feel comfortable with riding the variable wave, then that's perfect, but if you're not or if you don't have that option,

00:24:08 because sometimes in the real estate investing world, you don't have the option to go into a variable because you're onto the B side and they give you stipulation that you have to lock into a fixed, which is fine. So if you have to, what we say is go for a shorter term, so do a one year term, do a two year term and then at that point see where the market is.
00:24:34 So where is that interest rate and how comfortable are you in that? And then at that time and do the evaluation and then maybe it's locking in for another one year until the the market settles. It's very cyclical. The market has been with anything with investments, with mortgage interest rates that they go up, they go down, they go up, they go down.
00:24:58 So it's a very cyclical and it's just a matter of when we're, when we're gonna peak this time and then when we're gonna start to come down. And different people have different opinions on it. Is it a 12 month? Is it an 18 month? Is it a two year kind of rise till we dip again, who, it's hard to say.
00:25:20 Everybody thought n nobody ever predicted this happening. Nobody ever predicted the variable rate hiking as much as we did and dropping as much as it did. So history is being re is actually being written right now. So that's what what we're suggesting. So hope this helps everybody and if you have any questions, please do not hesitate to ever reach out. Thanks,
00:25:48 have a great day. Bye-bye for now. Thank you so much to Leanne for this amazing contribution. A couple things I wanna point out about what Leanne shared. Leanne mentioned a static mortgage payment, which means that your payment stays the same even if interest rates go up. Obviously then if the interest rates go up and your payment doesn't go up, you're not paying down as much on the principle.
00:26:11 And so that could be a obviously a con for people, but this is an interesting option for those who want or need that stability of a fixed monthly payment with the benefits and the risks of a variable rate mortgage. That's something you're gonna wanna speak to a mortgage broker about Ryan and lean are two, great go-to people, but it is an option that I be a lot of people don't know about and it re emphasizes the idea here that flexibility is key right now.
00:26:36 I also appreciate lean's transparency that they're not paying down enough principle and that their amortization period is gonna be pushed out and that they're working to avoid that. I think that's interesting and really great to hear. I also love how Mike and leann are gonna be increasing their payments to pay down more. That's a fantastic option for those people who have the funds and the cash flow and obviously buying the right deals upfront really helps with your ability to do that long term.
00:26:59 Also, good reminder in here that while five or 6% rates seem really high right now and they certainly went up quickly in the last 25 years, this is around the average. So it's not completely shocking. The thing I wanna point out is that the rate at which has increased, you know that's really surprising, that's surprised a lot of experts, but the actual rate itself is not entirely surprising If you do look at history,
00:27:20 that was a lot of shocking and surprisings in there. But I mean, what else? What else can I say? If you're, if you're in the industry, if you are in this, in this journey of real estate investing in the world, you know, it's been surprising and shocking. So I gotta come up with some more words for that,
00:27:32 don't I? Okay, I also wanna put on my coach lens for just a minute here. And I love what Leanne said when she said history is being written right now, that may not necessarily be comforting in itself, but I think it's a great reminder that life is uncertain and unpredictable and real estate investing is no exception. It's critical to be educated,
00:27:52 to get great advice, to work with experts, mentors, to learn as much as you can. And at a certain point you have to be confident and you have to trust yourself that you're gonna be able to figure it out, that you're resourceful, that when things change, you can adapt to it. That your courage and your confidence that that's key in any business and anything that you do,

00:28:12 and especially in real estate. And you can have that, I don't mean when I say this that you should just have the courage and confidence to go buy anything in everything because you'll figure it out and make some bad decisions. That's not what I'm saying. But what I mean is to be really conscious of your fears and which ones are legitimate problems to solve and which ones that you can over then therefore overcome.
00:28:35 And which of those voices, those fears are your inner critic just yelling a little too loud and your unconscious programming and thoughts coming to the surface telling you you can't do it when in fact you can figure out a way. So I just wanted to bring that to the surface because I do think it's really important to understand that, that as much as you can do all the right things,
00:28:56 have read everything, know all of the history, nobody has a crystal ball, and as lean said, history is being written right now and this is where it's so important to have the courage, have the confidence, have the resourcefulness, have the adaptability to be able to figure it out. Last but not least on this episode, we have Troy Michaud.
00:29:16 For those that don't know, Troy is my husband, and if you haven't met him yet, together we've been real estate investors for over 12 years. Troy's been on several other Goalden Girls podcast episodes number 33, 35, number 50, and something in the seventies that I'm forgetting the number, but you can check it out, Troy, I started out as accidental landlords with our first rental property and since then we've expanded our portfolio and our knowledge with experience.
00:29:41 Now we have done investing in three different provinces and everything from house hacking to short term rentals, rent to own, and we now focus on multi-family residential properties together. We currently wholly own 65 rental doors, a few more enjoying ventures and we're continuing to grow and expand. Troy is the geo finder, he is the number cruncher for our properties. I'm biased obviously,
00:30:02 but he is really very intelligent as you're gonna hear. And he's also a bit of a pessimistic realist, which makes his number crunching, also known as property underwriting, very conservative and he builds in a lot of cushions. You're gonna hear this in the episode and I want you to really, really take note of it because I do believe it's one of the reasons that we've been so successful in real estate is because we don't buy every deal.
00:30:24 Cuz obviously when you put in a lot of cushions and you go from a very conservative perspective, it eliminates a lot of deals and instead of buying every deal, we focus on the right ones. I also wanna mention this, a big part of our why is our belief that generating wealth and cultivating purpose play a role in everyone's happiness and wellbeing. And we believe that this is an opportunity everybody deserves together.
00:30:47 Troy and I, we host both in-person and virtual networking events. We love bringing together real estate investors and experts and professionals to share knowledge and inspiration and help others create success on their terms too. So if you wanna join in, check with the link in the show notes. Our group is called Intentional Real Estate Investing with Lisa and Troy. So go to the show notes and join our group.
00:31:06 Alright, I'll let Troy take it away. Now, What am I doing to protect my real estate portfolio? As the old saying goes, you make your money in the buy in real estate. And to me that doesn't just apply to the purchase price of the building, but also to the exit strategy that you're using. So for us doing multi-family burs,
00:31:25 we have a longer life cycle of our deal. So in purchasing the property initially we have to plan for future vacancy rents, and of course interest rates. So interest rates have been at historic lows over the last few years and I suspected that rates would not stay at two to 3% forever. So several years ago I was planning for 5% rates and kind of as they crept up,
00:31:50 I increased that estimate. So five, six, 7%. And so when we went to refinance our properties, that was kind of the rate I was expecting back then. And now what where we are. So for me, the protection started several

years ago. How have rising rates changed my strategy? My strategy hasn't really changed. So right now a commercial mortgage rate is around 7%.

00:32:20 So I'm underwriting my deals now for nine or even 10% interest rates. So planning into the future, just like I did several years ago, plan for higher rates going forward. I also use higher vacancy rates than what we're currently at during recessions. People downsize their living accommodations, they get roommates, move smaller units, move back with their families or whatever,

00:32:44 and people downgrade their living situation. So I think vacancy rates might go up. What is my opinion on what interest rates will do for the next one to five years? I recently saw the Bank of Canada signaling more rise in rates. I don't think we've seen the true effect of the massive rate increases that have happened throughout 2022. So I suspect that there will be rate increases in the short term,

00:33:15 but I think the rates will come back down once the economy stalls, rates will be lowered to increase economic activity and I think we'll probably end up with rates somewhere in and around where we're at now. You know, maybe 6% for a residential five year fixed would be my guess. Keep in mind, you know, 16 years ago when I bought my first house,

00:33:40 five and a half percent interest rate was considered a really low rate at the time. Any tips or suggestions for other investors to do, I would plan for higher vacancies, lower rents, higher interest rates, higher utility expenses, higher taxes. You know, inflation is upon us, so city's expenses are going up, your taxes are gonna go up, utility expenses,

00:34:08 you know, carbon tax and utility companies expenses are going up because of inflation. So that's your utility bills are gonna go up. Interest rates are climbing as we now know, and we talked a little bit before about vacancy increasing. So if all of these things happen and you've planned for it, you'll still be okay. If they don't all happen, then you'll be even better shape on your deal.

00:34:38 Thanks Troy, appreciate all your insights. Okay, so let me highlight a couple of little things, really pull 'em out. So I think it's really great to remember what Troy said there that the protection of a real estate portfolio begins with the exit strategy and not with the purchase price. He also mentioned that we're now underwriting deals at around nine or 10% interest rates.

00:35:00 So the rising interest rates haven't changed our strategy, but we're definitely factoring in and planning for higher rates. Troy also brought in some of that pessimistic realist realisticness that I love about him and some of that plan for the worst hope for the best advice. As he mentioned, we're planning for future vacancy rates to be higher and higher interest rates, probably some lower rents,

00:35:23 higher utility expenses and higher taxes due to inflation. So we're probably gonna be saying no to a lot of deals, but if we can find a deal when we find deals that support all of these things, we know that we've got those cushions built in. Okay, so now you've heard from all four of our guests, and also in case you're wondering,

00:35:40 each guest did their contribution independently and individually and no, not even Troy, got to listen to anyone else's responses before crafting his. So I do think it's really interesting and I think it says something that there's a lot of similarities between everyone's answers and there are some key themes that we heard a few times. Here are some of the key themes, here are some of the principles that kept coming up a few times in this episode.

00:36:03 I wanna sum them up for you first. Both Dave and Troy mentioned that your real estate portfolio protecting it doesn't just start with when you buy it, it also starts with buying it and having the right exit strategy in place. It's not only about how much you pay for it, but it's about how you're gonna exit on it. Number two, protecting a real estate portfolio is largely about planning for the unexpected and being flexible with low penalty exposures.

00:36:29 Some things you also heard everybody say I I found out interesting. Everyone had the same prediction that interest rates would continue to rise in the short term, but eventually come back down once the

economy stalls again. No one has a crystal ball, but I think everyone, everyone wants to protect their assets in their portfolio. Some of the other themes that came out making sure that you're planning for future vacancy rates,
00:36:48 higher vacancy rates, higher interest rates. This has been a humbling reminder for a lot of investors and I know Ryan touched on that too. And the last thing to properly manage and thrive in the next few years, be sure to diversify what kind of products you're doing. Talk to your mortgage broker plan for those higher vacancies, lower rents, higher interest rates,
00:37:08 higher utility expenses and taxes. All right, now you've heard from all four of our guests, and in case you're curious, each one did their responses independently and individually. No, not even Troy. Got to listen to anyone else's responses before crafting his. So I think it's really interesting and it says something that there are a lot of similarities between everyone answers and some key themes to summarize all this,
00:37:30 cause I know there was a lot, here are some of the key themes and the principles that I heard on this episode many times that you can take away with you. Number one, a lot of people really stress the importance of protecting a real estate portfolio by having a solid exit strategy in place. It's pretty clear that the key to success in this industry is not just about what you pay for a property or what the purchase price is,
00:37:50 but about being able to plan for potential changes in interest rates and vacancy and rents, but also knowing what your exit strategy is. So not going into a deal when if you don't know how you're gonna exit. So in that way, protecting your property actually starts whenever you buy each and every property. Next, we heard the mortgage brokers talk a lot about the importance of being able to plan for the unexpected and having flexibility in your mortgages with low penalties exposure.
00:38:21 Both of our brokers, Leanne and Ryan, suggested mixing upturns and considering shorter term fixed or variable rate mortgages. Again, you're gonna wanna talk to one of these professionals or somebody else about your own personal, personal mortgage, mortgage rates and all that good stuff. But I think that's really great to remember that mortgages can play a key role in helping you protect your portfolio.
00:38:44 Number three, you heard everybody share the same prediction that interest rates are gonna continue to rise in the short term, but we'll likely come back down once the economy stoles again, no one has a crystal ball. Everybody on here obviously wants to protect their assets, their portfolio and those of their clients, and that is the general prediction. So I guess we'll see.
00:39:03 We'll see how this ages in a year. Lastly, there was a lot of emphasis on evaluating deals on a case by case basis and how that really doesn't change no matter how high interest rates are. The fact is that you still have to get really good and potentially get really conservative and build in cushions when you're underwriting deals, especially at higher rates. This means that you're properly underwriting and you're including stress testing your deals for the long term success.
00:39:30 The advice here is that any investors should plan for higher vacancies, lower rents, higher interest rates, higher utility expenses, and higher taxes due to inflation. And when you plan for this, it is gonna make it so that if all of these things happen, you're still gonna be okay. And if just a few of them do, you're gonna be better than,
00:39:49 okay. I think it's really important to remember that it's hard to know exactly what's gonna happen and this certainly has been a humbling reminder for a lot of investors. So it's a reminder to stress test, to properly underwrite and and do your best. Now, I hope that by following these tips, it gives you the opportunity to ensure that your portfolio will still be successful,
00:40:10 even if not all the potential issues occur. And just just saying how many times can we say plan for the worst and hope for the best in one episode? I think we're about to find out. We're going for a record here. Well, thank you so much to each and every one of our guests for taking the time to respond and sharing their insights.

00:40:26 Each one of them brought a great perspective and nuances to their answers and I think they were so valuable. There's links in the show notes to each and every one of them. Please go ahead, follow along with Troy, with Ryan Zupan, with Leanne Nicholson and Investor Mel and Dave Dupius. Remember to check out our free Facebook group, intentional Real Estate Investing with Lisa and Troy.
00:40:46 There's a link in the show notes there. We host both networking events in person and virtually, and we're building a community of supportive, intentional driven, and bighearted savvy investors. And if that sounds like you, we want you to join in. Now I also wanna make a special note about investor Mel and Dave. Troy and I have worked with Mel and Dave over the last few years in the action family mentoring program that me and Dave do.
00:41:08 In fact, in a few weeks you're gonna hear an episode I did interviewing Mel on my podcast, all about purchasing properties using opm, other people's money. If you wanna know more about the investor, Mel and Dave Action Family Mentoring Program, click on a link in the show notes and you can book a call to learn more. I wanna be transparent and let you know that when I interviewed Meld,
00:41:28 she offered us a referral program referral for their program and we said yes and we wanted to pass along a special thank you to you as well. If you decide to join the Action Family Mentoring program because of us learning about Melon Davis through us and because of what we said. So at the time of this recording, there's no official affiliate link. In order to take advantage of the bonuses I'm about to share,
00:41:47 there are a few key steps you have to take and we'll make sure this is all in the show notes for you. You can always check the, check the show notes first because maybe we will have an affiliate link later on in the year. But for now, here's what you gotta do. So go to the link in my show notes, we have an exclusive booking link to book a call with Mel that's gonna get you speaking directly to her and I know she's gonna take great care of you.
00:42:08 Then email my team and there's link in the show notes, it's info lisa me michelle.com. In the subject, put investor Mel and Dave and let us know that you've booked the call. If for some reason it's not Mel, let that person know on the call. Let them know that Lisa, Michelle or Troy EO sent you, and when you email me,
00:42:24 I'm gonna forward your email to Mel on the team so they make sure you're they, they know that you are a special v I p and I'll take great care of you. Again, Mel, if you got her on the call, she's gonna offer you a special bonus and we wanna do the same. So if you decide that joining the action family is the right step for you,
00:42:40 that's key. Nothing is for everyone. It has been fantastic for us, but we want you to make the right decision for you and your situation if you decide to join, blah, blah, blah, blah. So much to say, but this is really important, Troy and I wanna share some special bonuses with you. If you've joined, you've taken these steps,
00:42:56 all these steps, you know, use the link for booking with Mal emailed our team. We are gonna give you, and sorry, then you joined the Action Family, the mentoring program. We're gonna give you access to our real estate goal setting, workshop and Playbook, all designed to help you set solid real estate goals. We're gonna give you our best tips for getting the most outta the action family mentorship,
00:43:14 how we've, how we've taken it to expand our portfolio from 22 to over 60 doors. And you're also gonna get a one hour coaching session with either Troy or myself to kickstart your journey within three months of joining. Now, this is super important. Be sure to email us ahead of your call so we can give them the heads up and make sure that you use that link for booking to talk to Mouse so you can get Mels bonuses too.
00:43:36 And like I mentioned, if we get a formal affiliate link, we will add that to the show notes. That should make it a lot easier. But until then, follow these steps that I shared. Finally, thank you my friend for listening. If interest rates have been a topic of conversation at work around the dinner table, the cocktail lounge, wherever it is,
00:43:53 please share this episode. Send it to a friend, a colleague, a family member, a person in your yoga class. You overheard talking about it. Anyone you know that this might help. I can't tell you how much word of mouth

R really is how podcasts grow. So if you enjoy this episode, if you gout value out of it and you want us to continue creating amazing,
00:44:10 informative episodes for you, please share this with a friend. Share it on social media wherever so that we can keep doing this. Remember this, none of us have a crystal ball. Do your best, address your fears, build in a factor of safety and conservatism. Stay realistically optimistic and realistically pessimistic, and look for the opportunities. Finally, have confidence that you are smart enough,
00:44:33 brilliant enough, resourceful enough, courageous enough, and that you can always figure it out. Thanks again for being here. Have an amazing day. Thank you so much for listening. If something spoke to you, send me a message by sharing this episode and tagging me on social media. If you know someone who'd love to hear this episode, please share it with them too,
00:44:54 because I love surprises. Make sure you subscribe to the Goalden Girls Podcast today. It's the only way to find out about bonus surprise episodes and make sure you don't miss a single beat on your Goalden journey. Thanks again for listening and I will talk to you in the next episode of the Goalden Girls Podcast.