

EPIISODE 106

Jeff Schecter (00:00:00) - Now that we've got a few years behind our belt. You know, of course, hindsight always being 2020. We're starting to see some really beautiful journeys that different investors are on.

Tejas Gosai (00:00:19) - 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]

Tejas Gosai (00:01:15) - Awesome guest is always on the program. I get to pick the guests. I try to get the best experts in the business. I use this podcast myself to keep sharp. I am a fiduciary for a private equity fund. You guys have watched me build. I also have a commercial real estate business and this podcast has really changed my life, so I cannot thank you enough for watching and I hope you're taking all of the tidbits, knowledge and skills and using them. The next guest that we have is awesome. I'm a big fan of turnkey real estate and every investor who is fixing and flipping needs to get that property to that point where an investor can pay a larger purchase price for an asset that they don't have to spend a lot of money in maintenance. Maybe it's fully occupied, property management's in place, but you're selling to high net-worth individuals, maybe out of state who wants a good secure asset. That's what you're turning the property that you are purchasing into if you're in this model. So it's really neat the way that Jeff shares this. So Jeff Schecter goes by Shecky, founded with the belief that real estate investors shouldn't have to spend a lot of time and money learning and implementing all the steps necessary to have a good cash flow property. High Returns LLC is simply the best turnkey real estate investment company in the world. They achieve this by providing superior investment properties with the highest returns to their valued customers who are always treated with respect and transparency. Jeff has created an amazing system and he's very good at what he does. I hope this inspires you and I hope you check us out on iTunes, Spotify, Stitcher, Google Play, iHeart Radio. It's rei.mba. Cheers.

[INTERVIEW]

Tejas Gosai (00:02:56) - We have Jeff Schechter with us today. Jeff, thank you so much for making it.

Jeff Schechter (00:02:57) - I'm grateful to be here. Thanks for the invite.

Tejas Gosai (00:02:59) - Definitely. And I guess I'm not supposed to call you Jeff. So. Shecky, right?

Jeff Schechter (00:03:04) - That's good too. Yeah.

Tejas Gosai (00:03:06) - Awesome. Shecky. High Return Real Estate. You've been a very busy man. Give us a little bit about you first before we kick in.

Jeff Schechter (00:03:14) - Well, just started as an investor and eventually we formed a turnkey company, myself and my original partner back in 2016 and had a lot of trouble with that, just trying to get everything straight and figuring out all the rehabs and taking care of investors.

Jeff Schechter (00:03:30) - So it's a pretty rocky start. And eventually we got our you know what together, have established some great teams, mostly in Indianapolis was where we started. So and we've also developed a really great property management team and some construction crews and then sort of next-level stuff. Eventually as we started realizing that taxes move the needle pretty much more than anything for any kind of real investor. We actually purchased a tax firm here in Nashville where I live, have since started working with a lot of investors, showing them how they can save a lot of money on taxes, oftentimes through real estate investing and structuring deals correctly. So we stick mostly to the residential stuff and it's been quite a long, interesting ride, but we've been at this for going on I think we're in coming into year seven right now. And so, you know, weathering through the whole Covid craziness and all that has been interesting to say the least.

Tejas Gosai (00:04:28) - Yeah, definitely want to get into that. And you shared something nice in the beginning, getting your you-know-what together is pivotal for anyone in real estate.

Tejas Gosai (00:04:38) - You have to kind of start with something and then you have to whittle it in to get it right in those beginning stages. What are some of the pieces that led to this much success over all this time?

Jeff Schecter (00:04:50) - Well, number one is I think where people really get messed up easily is in the construction world. You know, it's just that whole industry is just rife with assholes. Pardon my French. It's hard to find people with good character and good ethics. And so developing out a team that you can rely on to be able to go, you know, almost every property that you're going to get a deal on. I don't care whether it's a tiny little shack or a huge office building in order to get any kind of deal on it, it's probably going to need some work. And so who do you use? What do you do? Like if you don't have reliable crews and people that you can count on, then that makes that whole process very, very tough. Then secondly, you know, just really, really good management.

Jeff Schecter (00:05:35) - I mean, we originally went through 3 or 4 different management companies. We tried the small little mom and pops, we tried the big national guys and frankly, they all sucked in one form or another.

Tejas Gosai (00:05:46) - Property management. It's always the biggest thorn for any prudent.

Jeff Schecter (00:05:50) - Yeah. And so we again developed equity in our own management company and decided we would like to be treated the way we'd like our investors to be treated. And it's not an easy business for sure. Was a lot of moving parts, but that really made a difference too. And then I think the third thing is really just you learn by doing and after having done enough deals and, you know, losing money on plenty of deals too, and going like, you know, like kind of the old head smack like, oh, why did we do that? You know? And eventually you get to a point where this bigger picture emerges where you start really understanding, you know, the tax implications of what you're doing and also having a much deeper understanding of the numbers.

Jeff Schecter (00:06:31) - And I've been very blessed with not just a great original partner, but another partner that came in during Covid. That is one of these guys that, you know, it's almost like an idiot savant, right? Like he's not an idiot. He's he's a genius. But if you met him, you would understand. He's kind of like this, just sort of burly Italian guy. And he's not like he's kind of a little bit of rough around the edges, but he's one of these people that can look at a spreadsheet and see nine different layers to what's going on with the numbers that I could ever hope to achieve. So, you know, probably the last lesson is, say align yourself with some really, really good people. Very tough to do this business alone.

Tejas Gosai (00:07:13) - Love it. Thanks for sharing all that. I want to stick to the turnkey element of what you're doing and that's why construction is the most important. Let's say I don't know real estate.

Why turnkey? What's that mean? Why are people looking for turnkey? What kind of people? What's that do for your business?

Jeff Schecter (00:07:29) - Well, if you go back to what I said before about finding good management, good construction, good analysis, it's very difficult for a lot of armchair investors is what I call them.

Jeff Schecter (00:07:40) - I mean, these are there's some great people out there that have great careers and they make disposable income and they understand that one of the major keys to real wealth is by having a real estate portfolio, among other things. I don't think it's the only thing, but it's a very, very good cornerstone and foundation for building real-world wealth. And unfortunately, because of all the aforementioned problems, they have a really difficult time being able to do deals. They'll buy into syndication and that's great. There's nothing wrong with that. I know you do a bunch of that stuff and it's fantastic for somebody who wants to be passive, but there is a group of people out there that says, you know, I just want to own a bunch of houses and there's nothing wrong with that either. And so what turnkey does is it says, look, the provider like company like ours is going to go out and find the property, do all the assessment, get the deal on the property, get it under contract, get it rehab, get a tenant there, get it performing, get it to where it's a truly a performing asset and then sell it to the investor.

Jeff Schecter (00:08:43) - So they're walking into a situation where all of that expertise that they didn't have is basically done by a company that's set up to do that expertise, therefore not expose themselves to all the risks that they would otherwise have been involved in had they done it themselves.

Tejas Gosai (00:09:00) - Beautiful. Let's get even deeper on that because what you're pretty much doing is you're collateralized the property. You're making it easy for a bank to provide a loan on that. You have a, I'm assuming one one-year lease and beautiful before and after pictures. And it's just that's the art behind it. You know, it's not an unfinancible project where the valuation or the appraisal won't come in.

Jeff Schecter (00:09:23) - Yeah, that's a really great point. Yes. To everything you said. And you know, clearly, we're always kind of fighting the appraisal monster, which happens with everybody in real estate deals. But we're doing everything we can to put our investors in a position where their property is. Obviously, it's financing because it's already been inspected and it's in good shape and it's performing and things like that.

Jeff Schecter (00:09:47) - But hopefully that they're in a situation where their expectations, what they have to come out of pocket to buy that property, 20% down, 30% down, hopefully not like 60 or 70% down, they can still get some really good leverage on the property. And of course, in our world too, we have a lot of lender relationships so we can make some pretty good recommendations to investors based on the structure of that particular deal.

Tejas Gosai (00:10:11) - It's awesome. When you talk about Indianapolis, where nationally or how far do you reach right now with the folks that you're investing with?

Jeff Schecter (00:10:22) - All over the US, we typically work with just American investors, although we've had a few foreigners, Canada, Israel, things like that. But typically those people understand that they're obviously not going to get the same tax breaks that an American would have. But yeah, typically we're what happens is that the buyers come from areas where they can't get same kind of pricing and deals in their own backyard. So we operate in like we started in Indianapolis, we do some stuff in Nashville, we do some stuff in Alabama, we do some stuff in other parts of Tennessee.

Jeff Schecter (00:10:55) - We do some stuff in like Saint Louis area, Missouri, like we're in markets that it should be said, it's not only our cruise. We also have affiliations with other companies that are similar to us that we have vetted, that we say, Hey, look, are you doing the right to go see them? And we look at their operation. We say, Are you doing not exactly, but have the similar set of quality control and ethics that what we that to what we have. And so there is sometimes some co-mingling of inventories and things like that, mostly just to be able to provide more inventory to meet the demand that we have gotten fairly popular and we're happy about that, obviously. But it's you know, there's nothing worse than having somebody ready to buy and you don't have anything for them.

Tejas Gosai (00:11:40) - Typically investors or commercial investors, I guess this would be commercial real estate. It's rented. Those guys keep coming back to you because people don't usually just purchase one property, right? Are they asking you for your next, you know, project in the same area?

Jeff Schecter (00:11:58) - Yeah, it's a great question.

Jeff Schecter (00:12:00) - We made a decision very early in our career that we were not ever going to sell properties via email. We can announce properties via email, but we want to have a phone call and relationship with every single investor that we work with. And so what ends up happening is now that we've got a few years behind our belt and we, you know, of course hindsight always being 2020 is

we're starting to see some really beautiful journeys that different investors are on. And, you know, typically it's like, yeah, let's start with one and trust is built up and okay, that one went pretty well. Wasn't perfect. Real estate never is perfect. Right? Let's let's go to the second let's go to the third and then eventually they get to a point where they have a few. And as a result of having paid down some loans and having prices increase, there's some pretty significant equity already in that 5 or 6 portfolio. We start working with them to let's pull out that equity. Where can that equity also do even more good for you financially than just sitting there in those properties? So that's sort of becomes like, you know, the next round and you know, there's always layers to what happens.

Jeff Schecter (00:13:11) - And of course each investor is different and their unique tax situation and financial situation is different. But at the same time, you know, they all have goals and dreams. Some are going to get there faster, some of them are going to get there slower. Some, frankly, unfortunately, give up on their dreams. And, you know, there's only so much we can do about it. But for the ones that want to work with us, we can really develop a very nice long-term relationship with them.

Tejas Gosai (00:13:34) - Love hearing that. That's the way to be in real estate. Just truth is the biggest commodity and more numbers and factual data you have. How about the supply and demand stuff? Because it's definitely changed in the past year. Past couple of years. You've been at this for a while. What do you see happening today? Some people are scared. Some people are ready to pounce. Let's talk about that.

Jeff Schecter (00:13:57) - The first answer is it's weird. I mean, it's you know, we're in especially the last three years or so since this lovely event that we all experienced starting in early 2000.

Jeff Schecter (00:14:10) - You know, everything has been a lot more topsy turvy. There's no question that there's an element of fear out there that pervades the general consciousness. And at the same time, you know, there are some people that are more fearless than others. When interest rates were low, obviously prices were going sky high. And we got into this very huge inflationary period where, you know, good investors, some investors, it depends on your outlook, right? Some investors were going well, interest rates are low. So I'm going to buy up everything I can right now because I'm getting cheap money. I don't care if things are more expensive as long as the numbers work. Others were like, prices are too high. So I'm going to wait for prices to come down. Then we have kind of the reverse. I wouldn't say it's completely reversed, but what's happening now is interest rates are obviously significantly

higher than what they were, say, a year ago. And there's certainly an element of people out there that are going interest rates are crazy high.

Jeff Schecter (00:15:07) - I'm not going to buy right now. I'm going to wait for interest rates to come down. And there's others going like, man, this is a feeding frenzy. The prices are coming down. You know, like I live in Nashville and prices here have been just absolutely nuts. Like, you know, we were in a market where people were lining up to pay ten and 15% over asking price and, you know, bidding wars and stuff like that. It's like, man, it's pretty tough to get a deal on a property that way. It's pretty tough to even get a property, let alone get a deal, right? So, you know, thankfully that's softening a little bit now, but we haven't seen this significant reduction in prices in this market. We've just we're just seeing more inventory.

Tejas Gosai (00:15:47) - When do you think we can expect some big reductions or what do you see for the rest of this year, Q2, Q3?

Jeff Schecter (00:15:53) - I don't have a crystal ball. Just to finish, I'm going to answer that question, but I want to finish answering the other question.

Jeff Schecter (00:15:58) - So really, it's like it depends. On your outlook. I, for one, have a very positive outlook. So when prices are low, I think, hey, this is a good time to do deals. When interest rates are high and prices are low, it's like, I don't care. I'm going to look at the deal on cost of money is just a cost of doing the deal. Same thing in reverse when prices are high, but interests are low. I'm going well. Cost of money is cheap right now. So let's look at the deal. So everything in my opinion, a good investor is going to stand on its own merit. To know what's going on in the future. Oh man, that's tough because it's like nobody's got a crystal ball and we live in such a volatile type economy right now. I do see things stabilizing a little bit. I think that you know, not to get all political on you, but, you know, we're starting to see a lot of evil and corruption being uncovered.

Jeff Schecter (00:16:49) - Even the people that were not awake to it are awakening to it. And so there's going to be some turmoil to get through to the other side of the real truth. So what I see over the next year or so is some tumultuous times that are very unpredictable. But I think we're headed for some really, really beautiful blue skies. And as this sort of all gets uncovered and we work through this stuff to a point where there isn't, when there aren't nearly so many layers of corruption to things, it's going to be

easier to make money. In any case, no matter what happens, even in a more tumultuous period, I am of the opinion that owning real estate is one of the best safe havens you've got. I mean, you know, you've got a hard asset, you've still got something that's financing and you've got something that somebody always wants to live there. People always need a place to live. So, you know, in terms of inflation or holding cash or investing in stocks and things that are all extremely volatile right now.

Jeff Schecter (00:17:51) - I don't know that there's really a safer place. Some of the guys that peddle gold and precious metals might argue with me and I think they've got a good argument, but I would still gravitate towards real estate because that's what I know and it's always done well for me.

Tejas Gosai (00:18:04) - Agreed, this is the best time of misinformation and mayhem and it's great to be in a, you know, one-year-to-election time period where all that fun stuff we don't want to talk about is getting crazy. I'm happy you're saying that because I put this on my social media, I'm like, I'm in the oldest business on earth, right? Like this, sure, the market's going to change. There's going to be another, there's going to be another like this. But for the little man, for the guy who's looking for one or two or three turnkey properties, you're creating their safety net for all of this, right? That's the intention. And the more and more it's actually the first time, I think and you can give me a counterpoint on this, I think it's the first time in history that anyone can just go and invest in a piece of real estate and yeah, they could lose some money, but they can also do their homework for the first time and have a lot of input just as a normal person before.

Tejas Gosai (00:19:01) - You know, I think a lot of people had a certain they needed a certain level of education or something, but it's really different now. Are you seeing that?

Jeff Schecter (00:19:08) - Absolutely especially been enlightening, you know, having equity in this tax firm because, you know, you work with people that are not there, not necessarily our real estate customers, but there's a whole different strata that we're seeing from the guy that's just got a little W-2 and doesn't want to pay an extra three, four grand in taxes to, you know, the multimillionaire that owns, you know, four different businesses and is, you know, easily making seven figures a year. But there is an area in there where like you're talking about where that sort of middle America that's feeling this incredible squeeze mean everything's gotten so expensive, especially food and, you know, just basic items and to where they have a means to do something other than just relying on their job, other than just watching the world crumble around them, because that's the way many of them feel.

Jeff Schecter (00:19:56) - I feel it, too. I tend to be less fearful. I'm a very optimistic guy. But, you know, it's hard to look at what's going on and go like, man, something's up.

Tejas Gosai (00:20:05) - Yeah, definitely. And in chaos, you know, there's ladders and you can figure some of this stuff out. I'm happy you mentioned that earlier because there is from my predictions, there's just a lot of places where people can preserve their capital. They can take care of their family. I think that's a big thing right now. We don't like stress enough. Like real estate really helps you take care of your own children. And then the other altruistic part of real estate is like, we don't want to be slumlords. You're making you are manufacturing, I'm assuming, beautiful inventory that people like to live in and good countertops and schools and taxes and all that kind of stuff. And just real quick, how many properties have you guys transacted in the past couple of year?

Jeff Schecter (00:20:49) - I think we're in the four hundreds now somewhere in there in terms of, you know, how many deals have we done since we started? Most of that has gone to investors, but some of that's in our own inventory too.

Jeff Schecter (00:21:01) - We're building a portfolio for ourselves as well, and we use the same machine that we've developed for, you know, acquisitions and all that that we do for our investors. But, you know, you bring up something interesting about, you know, safety. One of the things I probably didn't mention and one of the hardest lessons that we learned when we started was getting away from deals that look too good on paper. And so we started off actually in some of the lousier neighborhoods in Indianapolis, I would call them C-class C minus. And, you know, those are people like in the six, seven, \$800 a month rent stuff. And these are people that are living very, very hand-to-mouth. You know, God love them, don't wish anything bad on them, but it's really hard to own those properties and have any kind of smoothness to that process. As a rule, there's plenty of exceptions, and I'm not picking on anybody, but as a rule, they tend to not respect property and not respect financial obligations and things like that.

Tejas Gosai (00:21:58) - Delayed payments.

Jeff Schecter (00:21:59) - Yeah. You know, waiting to get evicted and just crime. And so we took a long time, took us about four or five years to get out of that C-class stuff originally and help our original investors get out of that. It was a really monumental effort. To your point, we tend to stick to the B-class stuff. We tend to stick to things where we're in, you know, like trendier neighborhoods near downtowns, people that say maybe are, could work from home but still want to be near some cool amenities, places that might lend themselves to medium term and short term rentals as alternative places that it would make sense where the lot size would make sense to build an ADU additional dwelling unit without having to go out and buy another property because you already own the land, right? Those are the

things we tend to look for now and those are the things that obviously, again, not perfect. There's always going to be issues, but at the same time, the ride is just a whole lot smoother in those kinds of properties.

Jeff Schecter (00:22:59) - You know, cautionary disclaimer, they never look as good on paper as the cheap stuff, you know, and this is the rub when you're working with, you know, the armchair investor. So for everybody who's listening, if you get anything out of this is, you know, it's like you can't always go buy a piece of paper. Sure, it's important to do your due diligence and do your research, but you also have to really have a feel for what you're buying.

Tejas Gosai (00:23:25) - I'm so happy you said that. The smell test too, it's like everybody looks great on paper and we joke around, we're like, You got to smell the property. You got to like literally walk through it. And we can say, I'm a realtor, I have a real estate team. We pay our photographers to lie to the public all the time. You know, their pictures are gorgeous. Those rooms are not that large. Right?

Jeff Schecter (00:23:48) - They've always got that fisheye lens.

Tejas Gosai (00:23:50) - Yeah. Yeah. I mean, when you look at it, you're like, Oh, my God, I want to live in this place.

Tejas Gosai (00:23:54) - And then you go there and it's entirely different. You know, I love the doctors who go and look at properties that just are shell-shocked when they walk into a place like this looked nothing like it did online. I'm like, that's nothing. Looks like it does online. Never works out that way. Yeah. How about for the future? A little bit more turnkey inventory. People are not going to stop looking for it. We don't have enough housing. America has been on this trajectory. We're not going to have a supply issue when it comes to investors. How do you see yourself growing with this being able to get the inventory, more construction, turning it, you know, in the right time frame, feeding the investors the right way? You have to grow. I'm sure you can. How are you going to pull it off?

Jeff Schecter (00:24:38) - That's a really great question. The answer is I don't completely know. And I will tell you two things. Number one is I don't think we have a housing shortage.

Jeff Schecter (00:24:47) - I think we have a shortage of affordable housing. And so I see some interesting trends that are hoping to change that, you know, mean for getting just about an investor and just looking at what's good for society. Maybe the tiny house movement I still have, even with all the

crap that's going on, some real great faith in the entrepreneurial spirit of many Americans to be able to solve problems. And I do believe that that's a problem that needs solving. In the interim to have enough inventory. Like I said, we've gone out and created relationships with other providers and that seems to solve a lot of it. But in terms of our own growth and God, people are going to hate me when they hear this, but I don't really have that much interest in growing our side of it. The reason being is that the moment you start doing like, you know, we'll probably buy three, four, five properties a month in our various markets because of the crews we have and the management and all that kind of stuff.

Jeff Schecter (00:25:48) - That's about the point where we reached the end of our bandwidth to do what we do best. And so in my mind, it's like, well, I don't want to do 20 because the things start getting away from you. And if we're putting, let's say, one or two of those in our own portfolio and selling off three or four to investors, that's a perfect formula. I will do that all day long. How will we go out and grow? In other businesses. We have had so much incredible luck. Not luck, but you know, when you make your own luck, but just incredible numbers that we've done and taken this tax firm that we bought here that was really just an old CPA guy that was retiring, but he wasn't into the strategy side of things. And what we've been able to do to increase the revenue of that, but moreover, increase the offerings that really make people understand how much the needle has moved with taxes when done correctly. I'm talking like strategy where you meet with people three or four times a year because most people just go to the CPA, right? And the CPA, let's face it, they're not a strategist.

Jeff Schecter (00:26:52) - They're a historian. Whether it's the digital shoe box or the old set of papers. Here's what I did, Joe, and go make it work. And it's like, well, it's already history now. I can't fix it. I can't change it. But, you know, you know, from doing what you do with proper bookkeeping and proper business structure setup and leveraging certain tax laws, things like that, there's a lot of things that you can do that really are outside the scope of what the numbers look like on that property. Right. But when done right, holy cow. So we are getting into some stuff where with occasionally the more sophisticated investor, we're allowing them to buy a property that is not fully rehabbed, You know, in other words, it's not turnkey. Well, we call it an advanced investor model. They'll buy a property that still could use another bedroom and bath. You know, you can squeeze some other equity out there. It probably could use, you know, some more lipstick, some fresh paint and whatever.

Jeff Schecter (00:27:49) - It's rentable the way it is, you know, mean it'll finance and it'll all the major systems are working right. But it has that opportunity to throw money at it and make it nicer. It has an opportunity to build an ADU, things like that. So for the right investor and again, this is I stress that importantly because it's not for everybody, but they're already a little bit seasoned and they're working

with a tax strategist, whether it's us or anybody else, that person can really save a lot of money on taxes by structuring that deal a certain way, by structuring their taxes a certain way, maybe structuring their retirement plans a certain way. There's all kinds of ways to move that needle. But so that's where I see our growth being involved and it is showing people how they can do more with tax strategies because there's only going to be so much inventory and we're only going to have so much bandwidth.

Tejas Gosai (00:28:42) - Yeah, and what you're saying is right in line with like inflation, this, that all these other investments deteriorating.

Tejas Gosai (00:28:48) - It is a game of, you know, numbers and sucking water out of a rock. I hate it that we're coming to a time. How does somebody invest with you, communicate with you, ask for advice, How do they get a hold of you?

Jeff Schecter (00:28:59) - You just go to our website. It's highreturnrealestate.com. That's probably the easiest way. And there's a contact page there and you can fill out a form and that'll come to our investor relations team. And you know, if you say, Hey, I want to talk to Shecky specifically, just put that on your note. You know, mean we're, we're, we're very accessible.

Tejas Gosai (00:29:19) - I love it and love what you're doing, changing the universe. I appreciate your time and wish you the best. Thanks for being here.

Jeff Schecter (00:29:25) - Thank you so much. It's been great. I really appreciate the opportunity to come on your show.

Tejas Gosai (00:25:48) - Definitely. That's Shecky. I'm Tejas Gosai. Real Estate Investor MBA, Spotify, Stitcher, iTunes. Email us. We love you guys. Cheers!

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