
**PB4L—Personal Business
For Life: Examples from
Real Estate Practice**

- *Or how I got my Start in Real Estate*

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Terrace Investments Ltd (An Example of Bootstrap Capital)

- *Bought from group set to retire*
- *Asking price: \$350k*
- *First offer (October 1982): full price offer, rejected*
- *Second offer (February 1983): full price offer (coldest day of the year), accepted*
- *\$10k down, STB 5 years, 0 interest w/ principal pmts every yr*
- *Fully paid off < 2 yrs*
- *“Why should we sell to you, Bruce?”*
- *“Because I’ll actually pay you and you trust me.”*
- *“Where did you get to \$10k?”*
- *“I borrowed it!”*



1025 Merivale Road (An Example of Trading Behaviour)

- *Plaza part of the TIL package of assets, valued at \$185,000*
- *End of 25 year lease with IGA at \$1.87 per s.f.*
- *Seen as a huge problem—plaza soon to be 100% vacant*
- *Actually huge opportunity to BUY LOW/SELL HIGH (trade!)*
- *Lipstick renovation with architect Barry Hobin: \$120,000*
- *Sub-divide space: \$14.00 (Beckers), \$6.85 (Active Components), \$5.00 (Martial Arts)*
- *Sell for \$1.1 million 18 months later*



**1025 Merivale Road
(An Example of
Trading Behaviour)**

22-Apr-10		IRR for 1025 Meivale Road			
Year	For Project	On Equity*			
0	-185000	-10,000			
1	-150000	(\$39,707.29)			
2	1100000	\$767,643.84			
IRR	107%	600%			
Seller Take Back					
	175,000	4.50%	interest only	-7875	interest cost per year
SBL Bank Financing					
	150000	11%	P and I	7	year am.
	(\$31,832.29)		P and I per year		
	(\$15,332.29)		Principal paid during Year 1		
	(\$17,018.84)		Principal paid during Year 2		
	\$117,648.87		Balance Owing after Two Years		
* Assume Rents are Zero! If rents are taken into account, they will more than offset the mortgage costs and the IRR on equity will be even					

Bob Campeau (An Example of Stand Your Ground)

- *TIL partner Admiralty Enterprises goes bankrupt*
- *Campeau Corp buys 80 properties from Receiver including 5 TIL/Admiralty warehouses*
- *TIL had right of 1st Refusal clause*
- *Invoke rights*
- *Campeau invokes “Principal of the Greater Good”*



Bob Campeau (An Example of Stand Your Ground)

- *Andrew Jacob: “What do you want for your half, Bruce?”*
- *“\$2.1 million.”*
- *“But we’re getting Admiralty’s half for \$400k!”*
- *“Why don’t you want to be partners with the great Bob Campeau?”*
- *Larger, better capitalized partner can kill you*

“He (or She) who has the Gold, rules,” Anon

Bob Campeau (An Example of Stand Your Ground)

- *They can make \$\$\$ by leasing space to tenants in bldgs they own 100%*
 - *Empty out 50/50 buildings*
 - *Then come to weaker partner and do them a 'favour'*
 - *TIL might lose their ½ share for 0 or even negative dollars < 2 to 3 yrs out*
 - *Hard to argue for the 'greater good' when you are still getting your interest for 43% than FMV*
 - *10 minutes < court hearing, "How much do you really want?"*
 - *"\$2.1 million."*
 - *5 minutes before: settlement for \$2 million, cash*
-

24-Apr-10

Campeau Corp Buyout

	Admiralty	TIL	Value		
Ownership	50%	50%			
Warehouses				5	buildings
Campeau Offer	\$ 400,000.00		\$ 800,000.00	81%	Campeau Attempted Savings
TIL Counter		\$ 2,100,000.00	\$4,200,000.00		
Campeau Settlement	\$ 400,000.00	\$2,000,000	\$2,400,000.00		
Actual Campeau Savings			\$1,800,000.00	43%	

Brookstreet Resort and the Marshes Golf Club (An Example of Trading Behaviour and Bootstrap Capital)

- *Bought 62 acres of industrial land in 1994 for \$365k*
- *Tough recession*
- *Industrial land in Kanata had gone down by 90% +*
- *Actually huge opportunity to BUY LOW/SELL HIGH (trade!)*
- *Two investors put up 100% of capital*
- *Loaned Bruce the \$\$\$ for his 1/3 interest at 8%, capitalized*
- *Sold in 1997 to Sir Terence Matthews for \$2.2 million*
- *Investors each get \$725k*
- *Their IRR is 57% p.a.*



Brookstreet Resort and the Marshes Golf Club (An Example of Trading Behaviour and Bootstrap Capital)

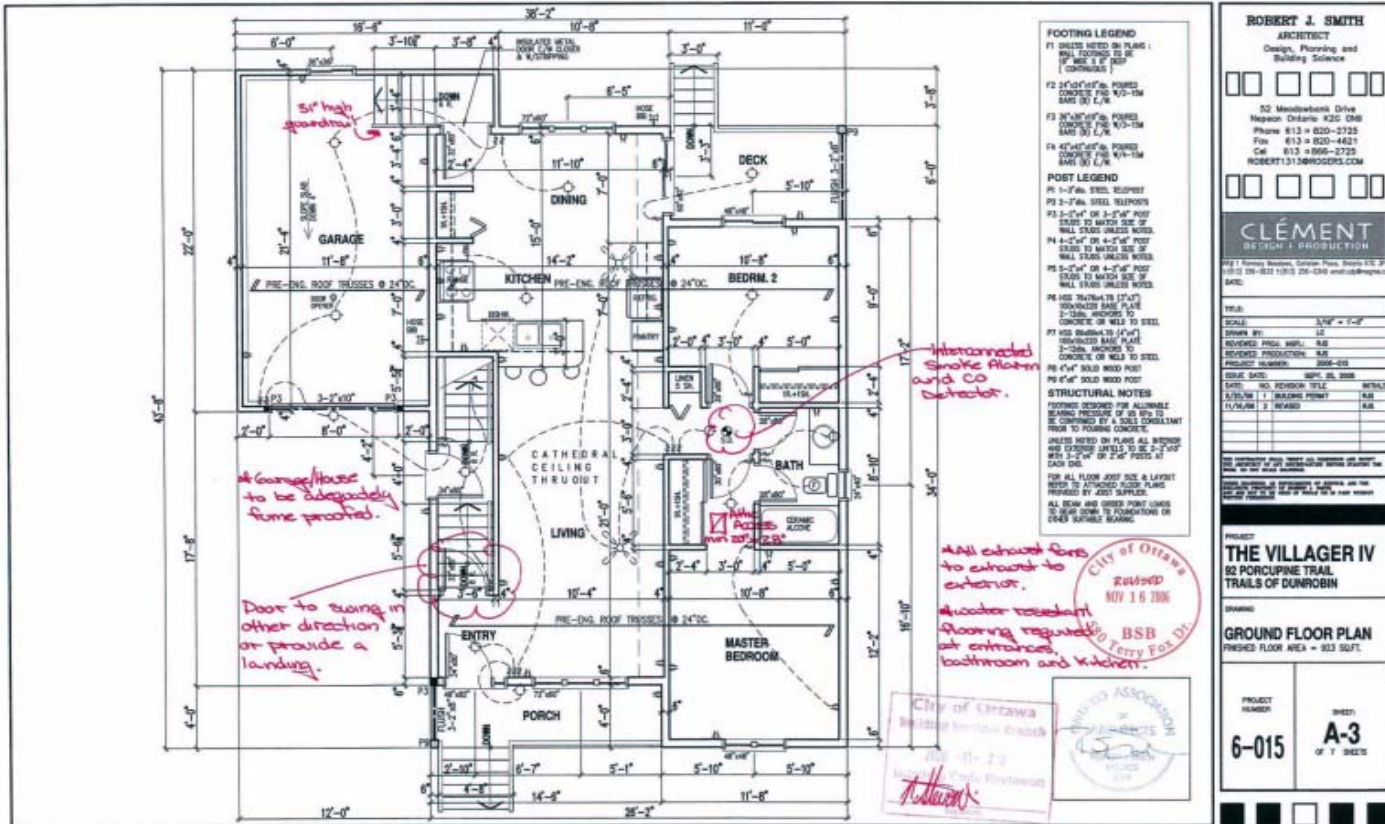
- *Bruce's IRR?*
- *Infinite*
- *Sell for \$1.1 million 18 months later*
- *Why wld investors loan Bruce the \$\$\$ to co-invest?*
- *Asymmetric information + operational and sales experience*

(Use IRR to calculate yr real returns: Cap rates are simply a 'rule of thumb'.

www.dramatispersonae.org/IRR/IRRPowOfLeverageGoalSetting.htm

24-Apr-10	Kanata North Brookstreet Resort/The Marshes Golf Club					
Industrial Land	62	acres				
P. Price 1994	\$365,000					
	\$5,887.10	per acre				
	\$0.14	per sq. ft.				
Sale Price	\$2,200,000		1997			
Investor A	0.3333	\$	121,654.50			
Investor B	0.3333	\$	121,654.50			
Bruce	0.3334	\$	121,691.00			
Loan from Investor A	50%	\$	60,845.50	to Bruce		
Loan from Investor B	50%	\$	60,845.50	to Bruce		
Interest	8%	p.a. (cumulative)				
	\$ 4,867.64	p.a.				
Property Taxes	\$6,387.50		1.75%			
IRR for Investor A						
0	\$182,500.00		1994			
1	(\$3,193.75)		1995			
2	(\$3,193.75)		1996			
3	\$725,549.91		1997			
IRR	57%	p.a.				
Sale	\$2,200,000					
Realtor and Legal	(\$91,300.00)		4.15%			
Net Sale	\$2,108,700					
Loan Repayment	(\$121,691.00)					
Cumulative Interest	(\$14,602.92)					
Proceeds	\$1,972,406					
Investor A	\$657,402.95					
Investor B	\$657,402.95					
Bruce	\$657,600.19					
IRR (Bruce)	infinite					

Villager Home Corporation (An Example of Build and Hold)



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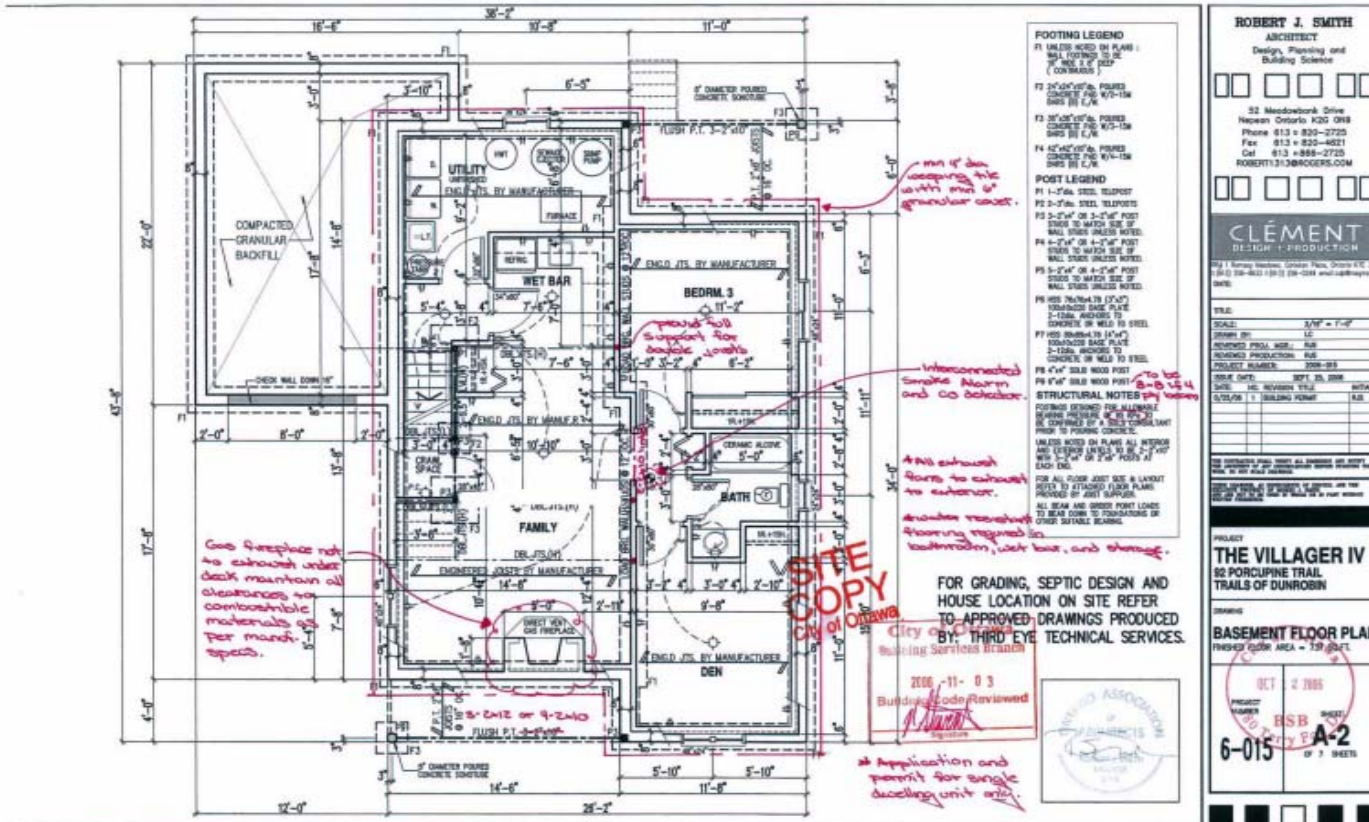
SCALE:	1/4" = 1'-0"
DRAWN BY:	LS
REVIEWED PROJ. MGR.:	BS
REVIEWED PRODUCTION:	BS
PROJECT NUMBER:	898-08
DATE:	SEP 26 2006
SHEET NO. PERSON TITLE:	BSB
1/2" x 1/2" x 12' x 12' (12' x 12' x 12' x 12')	BS
1/2" x 1/2" x 12' x 12' (12' x 12' x 12' x 12')	BS

PROJECT: **THE VILLAGER IV**
82 PORCUPINE TRAIL
TRAILS OF DUNROBIN

ISSUED: **GROUND FLOOR PLAN**
FINISHED FLOOR AREA = 303 SQ.FT.

PROJECT NUMBER:	6-015	SHEET:	A-3
		OF 7 SHEETS	

Villager Home Corporation (An Example of Build and Hold)



Villager Home Corporation (An Example of Build and Hold)

- *Santa Cruz, California, circa 1969*
 - *Big house/little house—1011 and ½ Seabright Avenue (Bruce and his girlfriend)*
 - *“Old” Lady—wants company, security + the little house provides her with extra income*
 - *Carry plans with me for 25+ yrs*
 - *Steve Silver et al lobby Ottawa to legalize in-home suites*
 - *Mayor Chiarelli does this (< he loses election)*
 - *Legal everywhere in Ottawa (except for Rockcliffe Park!)*
 - *Fast solution to homeless problem/affordable housing/keeping seniors in neighborhood instead of in vertical warehouses*
 - *Extra income for homeowner*
-

Villager Home Corporation (An Example of Build and Hold)

- *CMHC provides up to \$25k for conversions (forgivable loan)*
 - *Bring gray market apartments up to bldg code.*
 - *Fire separated/sound separated and smell separated units*
 - *Flexible housing stock: 2 families, 1 family with extended family, kids returning with kids, student housing, elder housing, 1 single family home*
 - *Add one door (or remove it) to make these changes*
 - *Half level down/half level up (like Scotiabank Place!)*
-

Villager Home Corporation (An Example of Build and Hold)

- *Tax advantages: interest on mortgage for rental portion now tax deductible*
 - *Principal residence still not subject to capital gains tax provided renovations are within existing building envelope*
 - *Forced savings from paying off mortgage*
 - *People with less capital can afford a home*
 - *Live in your own home for less than \$600 per month*
 - *Renters pay part of your mortgage for you—wealth effect*
 - *All increase in value goes to equity holder*
-

Villager Home Corporation (An Example of Build and Hold)

- ***ABSOLUTE FAILURE!***
- *People don't want to be Landlords*
- *People can afford (or think they can afford) more housing on their own**
- *Construction risk—cost overruns and delays are killers*
- ***YOU ARE NOT THE MARKET!***
- ***THE MARKET IS RIGHT EVEN WHEN IT'S WRONG!***

(Imagine the average home price in Vancouver is now > \$1 million. Now imagine being able to 'rent' \$1 million from a Bank on a variable rate mortgage for, say, 2.15% p.a. or just \$1,791.67 per month!)*

Blue Heron Corporation (An Example of Build and Hold)



MINI STORAGE



MINI STORAGE



FREESTANDING STORAGE UNITS



RESIDENTIAL DUPLEX

Blue Heron Corporation (An Example of Build and Hold)

- *CO and CC biz—overrun by large scale players*
 - *Their cost of capital: less than 1.5% (Banks, Pen Funds, Insurance Cos, REITS, Publicly traded r.e. firms)*
 - *Our COC: 8 to 12%*
 - *That's like competing in the 100 metre dash but giving up a lead of 80 metres at the start line!*
 - *Go under the market (and over the market— Ottawa Sens + SBP)*
 - *Mini-offices (Terrace Corporate Centres & Exploriem.org) + mini-storage*
-

Blue Heron Corporation (An Example of Build and Hold)

- *15 acres of industrial land in Kanata North*
 - *Cost to construct sheds: \$35 per s.f.*
 - *Rents are \$12 per s.f. per year gross +/-*
 - *Not too management intensive*
 - *Lots of competition*
 - *Our competitive advantage—built a duplex on site where Manager lives + month-to-month leases*
 - *Retired person*
 - *Provides security/leases units*
 - *Free rent and other benefits*
-

Blue Heron Corporation (An Example of Build and Hold)

- *Kanata wanted BHSC to fence and gate with razor wire entire site*
 - *Part of Village*
 - *We never fenced it but did put in a gate*
 - *Gate never closed!*
 - *Zero vandalism/theft (so far!)*
-

Blue Heron Corporation (An Example of Build and Hold)

- *92% to 96% occupancy (can never actually get to 100%)*
 - *Bought lands for \$92,500*
 - *Rezoned*
 - *'Old fashioned' rural development: mom/dad/family in front with the factory/warehouse/workshop/farm/barns/storage in back*
 - *Sold for \$1.1 million*
-

Presidential Executive Travel Apartments (An Example of Build and Hold)

- *16 condos—Holland Cross and Robertson Mews*
- *Ground floor access*
- *Lockboxes—self admittance at all hours*
- *Furnished units*
- *Telephone, cable, basic kitchen foodstuffs, etc ready to go*
- *Cleaning service—extra charge/profit centre*
- *Apartment rents: \$1,200 monthly (1990s)*
- *PETA rents \$3,000 monthly (1990s)*
- *Used for Sens players/trades*



Presidential Executive Travel Apartments (An Example of Build and Hold)

- *Not too management intensive*
 - *High quality tenants—paid by tech cos/few problems with collections*
 - *Limited competition*
 - *Developed long term relationships with HR managers at local firms*
 - *Simple exit strategy—MLS.ca*
 - *Leases were 30 days to 90 days—more sales required than typical one year res leases*
 - *No significant damage to units*
-

Stittsville Bungalow (An Example of Asymmetric Information)

- *REALTOR puts Seller and Buyer clients together*
 - *Not on MLS*
 - *Seller wants to sell with 0 showings*
 - *Seller wants to sell/lease back so his elderly parents-in-law can remain in situ for up to 3 yrs*
 - *Sale is 'handicapped' as a result*
 - *Buyer is investor with limited budget*
 - *Buyer requires co-investors to complete*
 - *Co-investors want in on project because: purchase of home for \$40k < FMV, 3 yr leaseback at rent > FMV, Tenant pays all utilities, stable/predictable cashflow, paydown of mortgage by Tenant, increase in value over time, bungalows in increasing demand*
-

Stittsville Bungalow (An Example of Asymmetric Information)

- *2 x Dentists co-invest*
 - *They have money but no time*
 - *Managing partner has time but no money*
 - *Managing partner brings connections with REALTOR, property management skills, the opportunity to buy below market and to rent above market*
 - *Investor ROE: 6% cash-on-cash + 7% pay down of mortgage by Tenant + 1.5% r.e. inflation (~4.5% on equity) + \$40k from below mkt purchase*
 - *Much better return than GICs (3.15% to 3.85%)*
 - *Managing partner gets 20% of the deal for 'nothing'*
-

Thurston Drive/Auriga Drive Industrial Condos (An Example of Build and Hold + Differentiated Value)

- *Too many investors chasing 'shopping plazas' or 'res duplexes, triplexes, quads'*
 - *Buy product that others overlook/avoid the behemoths like Banks/Pen Funds/Insurance Cos et al*
 - *Can purchase industrial condos in Ottawa from \$165k to \$350k+*
 - *Create some DV (Differentiated Value): e.g., add a mezzanine with separate entrance*
 - *Can rent upper level separately from ground floor or both together*
-

Thurston Drive/Auriga Drive Industrial Condos (An Example of Build and Hold + Differentiated Value)

- *Compare industrial condos with residential rentals:*

INDUSTRIAL

5 yr leases (typ)

net/net/net leases

little investor competition

low vacancy rates

not too management intensive

few debt collection problems

no RTA— simple distraint

normal wear and tear

Tenants self reliant

RESIDENTIAL

1 yr lease (typ)

gross or semi gross

everyone wants in

low vacancy rates

medium amt of mgt requ'd

many debt collection probs

RTA— evictions difficult

mega damage possible

Tenants needy

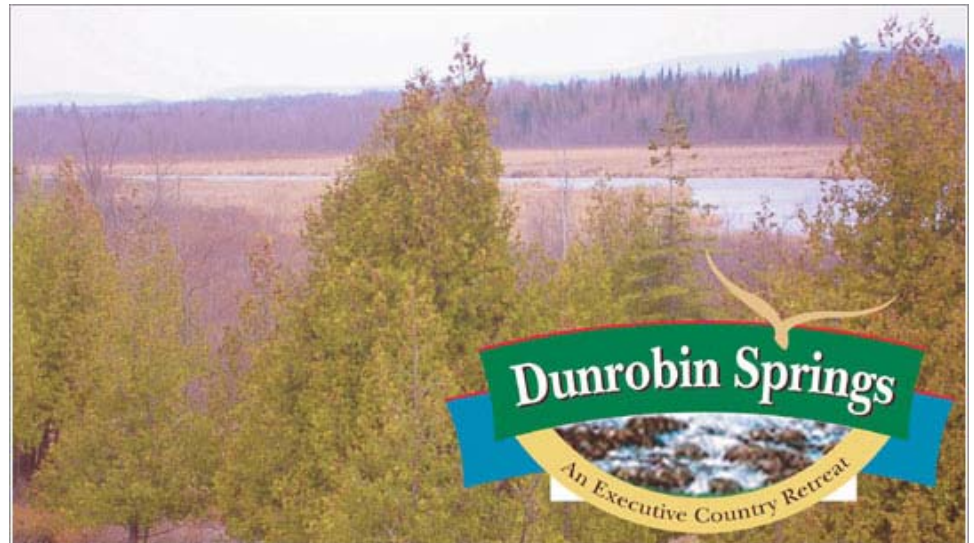
Thurston Drive/Auriga Drive Industrial Condos (An Example of Build and Hold + Differentiated Value)

- *Investors inevitably ‘chicken out’ due to unfamiliarity with product category*
- *Only want to buy when 1st class tenants are in place on long term leases and with 0 risk*
- *But remember: buy whenever everyone else is selling and sell whenever everyone else is buying/you make money in r.e. when you buy not when you sell*
- *Units become available because they are vacant– great opportunity for you!*
- *Buy in a recession– great fortunes are made in recessions*

(Baron Rothschild in 1871): “Buy (real estate) when there’s blood in the streets.”

Maple Leaf Design and Construction (An Example of Bootstrapping)

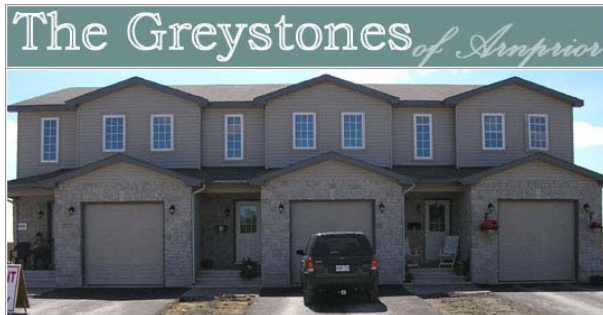
- *Bootstrapped their way to success*
- *Source of capital (essentially supplier credit)*
- *Friendly landowner provides options on land, basically at no cost*
- *Owner gets paid by home buyer not Maple Leaf*



Maple Leaf Design and Construction



- *Option on 20 lots for \$500*
- *Sweat equity: summer in a trailer with plans, signs and Agreements of Purchase and Sale*
- *Pre-sold 10 lots*
- *Collected \$20,000 deposits*
- *Now have \$200,000 in their bank account– impressed with a trust*
- *Used homeowners credit scores to get construction financing*



Triole Street (An Example of BUY LOW/SELL HIGH)

- *Streetscape is a mess*
- *Crappy tenants/crappy building stock*
- *But... baseball home run distance from St. Laurent Shopping Centre*
- *Visibility from Queensway*
- *Bought 9 acres at \$1 per s.f.*
- *One yr later– offer for 50 cents!*
- *“Oh, oh, I made a mistake!”*
- *OJ reminds me: “BUY LOW/SELL HIGH”*
- *Why so hard to do?*



Triole Street (An Example of BUY LOW/SELL HIGH)

- *People can be sheep*
- *“Is this dress/suit popular/in-style?”*
- *Banks only lend when u don't need the funds– i.e., they only lend to people who don't need the money!*
- *Banks lend when everyone else is lending and when the press is good*
- *The reverse is also true*
- *Investors invest when everyone else does and when the press is good*
- *The reverse is also true*

Pittsburgh investor buys 300 homes in 2008 for \$350 each; everyone tells him he's crazy. Now makes his original investment back every 3 weeks.

Three victims of the Sept. 11, 2001 attacks meet in a stairwell & head down. Then they run into another larger group who are heading up to await 'helicopter rescue'. 2 join up because everyone else is going up. 1 defies conventional wisdom & goes down thru the smoke and heat because he figured it out (wld take 2 days (!) to evacuate everybody by helicopter) and he didn't panic. He was the only 1 to survive. He made it out w/ < 5 mins to spare.

Triole Street (An Example of BUY LOW/SELL HIGH)

- *Two years later sold 4 acres to Car Dealership for \$8 per sq. ft.*
- *And 5 acres to Roofing Company for \$12 per sq. ft.*

25-Apr-10 Triole Street Analysis						
Time	Price per sq. ft.	Sq. Ft. Per Acre	Price per acre	Area (acres)	Price	
0	\$1	43560	\$43,560	9	(\$392,040)	
1						
2						
3	\$8			4	\$1,393,920	Car Dealership
3	\$12			5	\$2,613,600	Roofing Co
					\$4,007,520	
IRR						
0					(\$392,040)	
1					0	
2					0	
3					\$4,007,520	
IRR					117% p.a.	

Ottawa Senators (An Example of Bootstrap Finance)

- *Terrace gets \$18 per s.f. for its office space/five years later it's \$6*
- *What to do?*
- *What does Toronto have that Ottawa doesn't have?*
- *A zoo/Princess of Wales Theatre/ Wonderland/NHL Team*
- *Conversation w/ Cyril Leeder and Randy Sexton*
- *Bring Back the Senators*



Ottawa Senators (An Example of Bootstrap Finance)

- *Cyril asks how much will it cost?*
 - *\$35 million (est. based on NBA)*
 - *Actual NHL ask?*
 - *\$50 million USD*
 - *Randy says let's go for it*
 - *Cyril asks how will we pay for it?*
 - *Bootstrap capital, that's how*
-

Ottawa Senators (An Example of Bootstrap Finance)

- *Buy 600 acres at \$12,500 per acre*
 - *Put a NHL team and NHL-calibre building in the middle of it*
 - *Drive up the value of the land to \$112,500 per acre*
 - *Keep 100 acres for Scotiabank Place and parking lot*
 - *Sell extra 500 acres for a profit of \$100k per acre or \$50 million!*
 - *NHL franchise cost = ZERO!*
-

Ottawa Senators (An Example of Bootstrap Finance)

- *Also get 32 Original Corporate Sponsors at \$15k each*
- *And 500 Corporate Sponsors at \$500 each*
- *Sell 15,000 PRNs at \$25 each*
- *Raise \$1,105,000 to help with bid*
- *As Al Davis once said: “Just win, baby.”*

If u want a short, pleasant annual meeting w/ yr Bank, make a profit every year, no excuses.

Conclusion Part 1

- *When something isn't working, do something new*
 - *Learn from your competitors*
 - *Commitment is important: "YOU'LL NEVER, EVER GET A FRANCHISE IN ... OTTAWA"*
 - *You can bootstrap big projects*
 - *Even Fortune 50 companies do that (Disney and the Anaheim Ducks 4 example)*
 - *Sponsorship can apply to many industries and is a form of Bootstrap Capital*
 - *Keep your core competencies in house— outsource the rest*
 - *If you are profitable, you will get financing not the other way round*
 - *Entrepreneurs make their own rules*
-

Conclusion Part 2

- *Entrepreneurship takes guts*
 - *Sweat equity is important*
 - *Creativity and innovation are key*
 - *Sometimes you need to trade to get 'table stakes'*
 - *Avoid competing directly with behemoths*
 - *Try to add some differentiated value to your PB4L*
 - *Be trustworthy*
 - *Surround yourself with a competent, trusted team—
REALTOR/MORTGAGE BROKER/LAWYER/MENTOR/ETC.*
 - *The harder u work, the luckier u get*
 - *Let 100 opportunities go by but when the right one comes along,
strike!*
 - **MAKE A PROFIT!**
-