[RECORDING PLAYING]: Welcome to the REI Diamonds Show with Dan Breslin, your source for real estate investment, jewels of wisdom.

Dan Breslin: All right, welcome to the REI Diamonds Show. Jeremiah, how are you doing today? Good,

Jeremiah **Boucher:** Good, Dan.

Breslin: Cool. I'm actually kind of on a working vacation, if you will, in Stone Harbor, New Jersey as we speak kind of enjoying the early summer. We have the forest fires in Canada that are like blowing this like end of days cloudy smoke through New York and Philadelphia and everything. We're all hunkered down in the house and like that's the vacation at the Jersey Shore that we're on right now. It is kind of interesting. Whereabouts are you recording from today?

Boucher: I'm in Vegas. Yeah. I live out here and my roots are back in New Hampshire. I don't know if you are Jets or Giants, but you know, patriots over here. I'm sorry. Oh, you might be Philly, so who are you?

Breslin: Yeah. Still with Philly, even though I live in Chicago now, I mean the Bears. Can you like root for the Bears? I don't know.

Boucher: Yeah. No bad blood then. The pats are, yeah, we're neutral with you guys.

Breslin: Nice. Why don't we start with a little bit of an introduction, maybe kind of your origination story that leads to your current business model here?

Boucher: Yeah. Similar to a lot of the listeners, I quit college and got into real estate. I bought a lot of houses. I lost everything in 08 with just like the big short, you know, and had some real challenges with tax liens and foreclosure and credit card debt and all of that whole deal. I didn't have an edge, so I was doing what everyone else was doing in Vegas. You know, everybody was a realtor, everybody was a house flipper, learned the lesson. I knew something in my gut was wrong in that whole process, and I knew that wasn't going to survive. I took the hit and had to rebuild, and then the next 10 years really were about building up a manufactured housing portfolio

I did that by just being young and naive and aggressive and reaching out to some guys that started a big mobile home park fund and helped them build that fund by sourcing deals and kind of putting together creative deals and managing and operating some of these deals and then had a nice swap with them in 2016 where I was able to take on my own assets and manufactured housing. That gave me some autonomy to take that cash flow and put it into my own management company. I ran that out of Vegas, a lot of the assets were in Vegas and up near Reno, and I was able to at that point, you know, kind of build up my resources and learn the ins and outs of the operational part of the business, which is rough when you're dealing with some types of, you know, lower-income housing and, what revolves around that.

I saw at least the writing on the wall for me that I thought asset values were extremely high, and

I really wasn't prepared to grow or scale that type of business at that time, so I had a good exit in 2019 and wrote the book and then, you know, connected with I think you a couple of years later, but it was really through, you know, a bunch of different networks where I started to actually scale and start with some funds rather than doing individual syndications, and at this stage, I only operate out of raising money through funds. I'm a typical, you know, private equity syndicator, like a lot of guys on your show, and then at that stage, you know, my niche, my focus, you know, first was manufactured housing. We still look at it, but it's not as heavy in the portfolio. Second is storage, you know, traditionally storage and tertiary secondary markets. A lot of them are up in the northeast. We remotely manage a lot of them, and we look for the rough ones and improve them.

Then lastly, my most recent kind of fun asset class is Small Bay industrial up in the Northeast, and I'm building a lot of it. I do construction as well. We can get into all that, but that’s trying to condense it as best I could for you, Dan.

Breslin: Yeah, I love it. I got like a ton of other questions to come out of that information there that I want to pull apart. But first, you had talked about not having an edge, and I read the book cover to cover. It's one of the books you did not have it on Audible yet. I think you said you're going to have it on Audible and…

Boucher: It will be in like a month. In July.

Breslin: Okay, and you read it, right?

Boucher: I did.

Breslin: That's great. The listeners here know that I'm a huge fan of books and when I can find them and get the recommendations, that's great. I don't know if they, you know if you don't have Audible on your phone as an app and you're not like listening to books on a regular pace when you are driving your car, you're really missing an opportunity to level your mindset set up in a really passive manner to leverage all every minute of extra wasted drive time or whatever times throughout the day. Aside from that, I just love the books that are read by the author because you get the right inflection and sometimes the author kind of spills some extra jewels of wisdom out there in between the written words. This was one of the first books I read on paper in like a year or so.

For a while, it was Audible only, and then this one kind of came on the radar. I said, yeah, it's exciting again, and finding your edge talked about, you know, what is your edge? What is your competitive advantage? Like for me, some of the listeners may have already heard me talk about my own edge, but I was broke when I came into the real estate industry. I had no job. I had bad credit. It was 2006 you know, I had even had like 06, 07, 08 go back down and like let it all fall apart a little bit. I kind of had that, like most of us who come on this show and talk about it, I crashed with the market personally, but when I took inventory of my assets, if you were, when I had almost like none that you would call money in the bank or anything like that, and like oh nine and 10, the edge that I came up with was I saw guys who were really good money razors and they could go out and raise a million, 10 million, 20 million, and they could get 30 or 40 or

50% of a 10 or a 15 or 30 million deal just like doing the capital raise because they can pick the phone up and call it the operators able to fund a really large deal and not have to spend the time building that capital stack themselves.

I didn't have access to any type of money at all. I mean, you know, range 20 grand to flip a house maybe, but certainly not a million or 10 million. I felt like there are three components to like almost any deal, maybe a fourth, right? Maybe its management, once the deal is kind of stabilized, built, and being run long-term you have the capital to do the deal. You have the construction component of the deal that has to be done, and then you have the, actually defining the deal part. While I could do construction and flip the house, I don't really think that was my strong suit. I didn't have this great role of the deck with great contractors and the ability to execute on really tight timelines and things of that nature. I wasn't necessarily a property manager, so that was definitely not going to be the strength I was going to leverage.

The one thing I did know how to do was go out there and negotiate a deal, follow up, take the time, generate the lead, nurture the lead, make the offer, follow up on the offer, and get that property under contract, and I felt like I could do that good. That was the thing I could bring to the table with like, what my assets were. That was my edge. That was how I got into the real estate game. I will be the source of more deals than anyone else out there, even when maybe I had only done 10 or 11 deals at the time and decided to make that my strength. That was where I was going to win. I felt like your book, I'm not at home, but I have the sick principles, I believe taped to my desk right there in finding your edge. Wow. It's really, that's cool stuff, and it kind of cool that I've figured out and operated that way, but to see it put into words and then kind of packaged with your own story and climbing to the level that you're at now, it was a really good book. I say all that as sort of the intro. Maybe you could touch on those principles, but I think the first place would be like, what is, or was your competitive advantage? What is your edge, Jeremiah?

Boucher: Yeah. I'm glad you… That was the essence, Dan. You picked up the essence of the book, right? Is when you are at the bottom of the food chain in the whole private equity investment real estate world, you better find your niche and that edge. Just like in the classic hero's journey, you got to transform and overcome obstacles. In that journey, that's where you're going to have to have the self-awareness to develop those skills because you're really chasing a sunset in the wrong direction if you're trying to do something that you're not naturally, you know, really geared towards Right. How you're built. It seems like we're similar in that manner in terms of having a lot of energy.

I'm not really afraid to really get out there and have a lot of rejection and I want to be honest and direct and you know, maybe that's the northeast in us where we just get through the and get right to the heart of it, right? Some people don't like it and other people respect it. For me, you know, finding the deal, building the relationship, understanding and learning the asset class, building some trust that, you know, this is the way it is and I'm not going to try to, you know, deceive you with some angle. Over time, I think people realize that, and in order to do that, one, you got to aggregate some data and you got to really get out there and understand what you're looking for. Two, you got to be out there and talk to a lot of people and put in a lot of energy and effort.

Number three, you got to make sure you can deliver on what you're promising. For me, it was aligning with that fund at the beginning where these guys, you know, maybe they didn't pay me the most at a referral fee or some type of equity participation, but I knew I could depend on them. They weren't going to go behind my back. I trusted that they were going to work with me even if I didn't have an agreement in writing yet, and I knew they were going to come to the table and actually have the money in close. That ties into the print and there's a lot of other aspects of the game as you said, I mean, there's probably five, six really core aspects of construction and operations and capital raising and securing, you know, good debt and all these different things that you can focus on and bring in partners that way that you all have a good, unique strength.

I think the impetus of all company for both of us is that relationship building, and that's what I put. I mean in the book, it's an entire relationship game. The better investment you can make into your communication skills, presentation skills, negotiation skills, getting insight into people and human nature, and psychology and strategy, like those things are what actually get me excited. That's why I don't want to stop the game, you know, even if I cash out and we were talking about tax strategies before the call, but you know, I'm not going to stop playing now. I really hate management to be clear. I know what I do like, and that in terms of the overall game is something that I'm going to keep playing forever.

Breslin: Yeah. I'm going to disclose my own, let's call it a character flaw right now. I come to the commercial academy, Scott Shield. I went to Scott Shield in 2007, I think it was in Chicago when I went way back when, and I learned some stuff there. Way back then, I didn't have anywhere near the believability of myself, the belief in myself, or the confidence to go out and do any kind of commercial real estate deals. I did apply what I learned from Scott Wayne back in 07, along with other stuff, through the single-family residential game. A lot of that has worked out very well for me, partners in the marketplace. When I came back in, I don't know, 2022 or something like that, I think our mutual friend [inaudible] invited me back and I was like, yeah, I'm doing commercial.

I remember thinking like, I've read tons of commercial books and I want to know how to do cat rates. I know how to you know, figure out the value. I know how to look at the expenses. I had this know-it-all kind of mindset almost. At the first one, it's like, I know all this stuff. Like why, what am I even doing here? Why am I not already doing the deals? Like, what's going on? It was with a know-it-all mindset, right? It was like as I attended the second and then a third and then a fourth, and then I remember as I was reading through your book and I'm like, oh yeah, I don't know all the nuance and all the detail of this. I thought, yeah, maybe I could go out and buy a storage facility and just kind of keep it long-term.

But man, there's a huge learning curve that comes with that that was revealed just in your book, right? The book is a summary. It's not every detail and every aspect of the decisions that are made to successfully run a facility or a fund full of facilities or start building a small bay industrial, right? That's me saying that I had a know-it-all attitude and I realized I don't, and I got back to this coachable mindset as I turned the corner personally reading, finding Your Edge, reading your book. For full disclosures for the listeners, I am invested in the fund I think two and three that you guys have. I am one of the investors in Patriot Holdings. The call the other night. I had another sort of revelation. We're talking, you guys were talking about the cost to build and the management, and we gained this many tenants and we lost this many tenants for a net of 201.

A lot of those numbers to the average person probably just look like numbers on the screen. That's how they used to look for me when I would look at the prospects and the OMs and things of that nature. But being invested in the fund, what I had as my takeaway from the investor call the other night with your team was, wow, I feel a lot better investing in a team. There's 4, 5, 6 guys from your end, I think on the call, who have, you know, scientifically approached [inaudible]. The business built the marketing engine, which is a component of the management of these self-storage facilities. For me to think I would go out and want to… I wouldn't want, I don't have the time, we have a great business already that we're operating as it is, but to think like, oh, I would go out there and sort of do all the deals myself and be the operator seemed like such a folly when I can kind of ride coattails on an organization who's figured a lot of this stuff out.

Boucher: Oh, good, I'm glad. That's what I was trying to convey, so it worked. All right.

Breslin: Yeah. I guess it's a long way that's like me turning a corner of doing all the deals myself which was something that held me back early in the beginning when I finally was willing to flip houses and flip deals and do the business with a growing number of partners and have a small percentage of the deals. We did a whole lot more deals and then the net result was much better. I feel like maybe that was kind of some of the buy-ins into the syndication deals. As we dive into that, I think one of the things that came up on the call the other day was kind of the shrinking asset pool. Big news and commercial real estate, you're on the podcast, you're on the trap wire forecasting service anywhere you go, commercial real estate is talking about this distance of price discovery.

Meaning sellers want too much money, they're hung up on 2021 and 22 prices, and they're hung up on the low cap rates. The reality is that the interest rates are somewhere between five and a half to seven and a half percent on average for five-year to 10-year debt, something like that. The deal is not penciled out, and so the offers and the deals that a private equity firm would have to buy in order to continue to make the returns it's shrinking. There's a shrinking asset pool. I'm curious about your take on it, you touched on it a little bit the other night, but how does this market that's so tight, and I think some of what's going on, Jeremiah, is we have so much freaking money supply out there, so much dry powder pacing the limited number of assets.

We saw cap rate compression in multi-family over the course of say, a 10-year period. We've seen the cat rate compression shake out, I think in manufactured housing, mobile home parks, and things of that nature that probably started around '16, '17 and probably got really tight by '20 and like really tight by '21 and '22. I think someone brought me a prospectus, they were going to pay like a five cap with the interest rates that are out there now. I was like, oh yeah, I can't really do that. The IRR is 7%. I got to sit this one out. I think we see storage going through an undertaking just like that. I think I've heard of the deals being bought at, you know, 10, 11 caps back in 15 and 16, and the deals are probably trading at seven and eight caps, maybe nine caps. Yes, there's probably some room for the rents to increase, but we've certainly seen that cap rate compression. We have this very large money supply pacing a limited number of assets, and then we have the interest rates that rise and the money supply trying to be taken out of the market by the Fed as we speak through quantitative easing. We're in this really challenging environment where there's sort of a shrinking asset pool. How does that play out? Or maybe how do you go out and win in that environment right now?

Boucher: Yeah, a lot there. Good, let's unpack it. That is the case. Large institutions and private equity firms overpaid what I believe, they used their edge, which was the cost of capital. They deployed a lot of funds and had to deploy those funds to generate the fees that keep them in business. That's a whole other discussion. They went out… their edge, they had a lot of money, they deployed it, they have an investor base that they are able to deliver lower returns and the cost of debt at that size was quite a bit less. They had a real competitive advantage there and bought up a lot of assets. Now where we're at, so what I look at is asset classes that are diversified streams of income. We have a lot of different tenants, and those different tenants will not depend or they will not be the linchpin in the success of the investment.

I learned my lesson with single tenants or large tenants that even at national credit, things for me didn't work out the way I wanted. I liked that diversified stream of income with lots of different tenants. Self-storage, manufactured housing, and small-day industrial check the box. A lot of my lenders also liked that. In that asset pool type, a lot of the institutions don't want to deal, or larger investors don't want to deal with a lot of individual tenants because that is very challenging on the operational workload on the asset. In those asset classes, the money is in the management. Regardless, if the cost of debt or the economy is booming or it's in a recession, there are operational challenges where you're correlating a business, a true somewhat of a retail outward facing business, a service-based business in real estate, you're correlating the two.

You have to provide a quality service in the storage facilities that we offer in the mobile home parks that we have, and even in the small bay industrials. In that case, you are going to have mismanagement and you're going to have operational inefficiencies. Like every other, ever since the mid-eighties, I mean, when private equity really started to scale up and Wall Street, you know, got everyone excited about going out and, you know, the movies and everyone's being a capital razor and going and buying companies, the name of the game is aggregation and selling it off to the bigger player or going public. I mean, that's what software companies do. That's what private equity firms that buy dental offices and all types of different types of businesses and pieces of real estate across the country. Where we fit in in this real estate world is I want to take these businesses that are backed by real estate and I want to aggregate them together and I want to make them more efficient to deliver returns to the investor.

At the same time, these people, the baby boomers that are transitioning to the later stages of life and all these different asset classes do not want to invest the capital improvements into the asset. Typically, they're 20 years old or so, they don't want to put half a million dollars into paving and lighting and painting and signage and all that good stuff. Secondly, they don't want to really learn the new technology or processes about the marketing or the different, you know, with Google AdWords and the different competitive environment there with digital marketing and, and three, there isn't a key quarterback or someone that wants to manage the asset where the second or third generation has no interest in distributing profits to four or five different brothers and sisters. Plus they typically are successful, and these assets aren't big enough where someone can live a life and get a salary, and their family can be comfortable just off of one storage facility.

You have to really, you know, scale it up and own multiple to really make it extremely profitable. Those three things cause the motivation and desire to sell at some point. When we talk about in real estate, and I'm speaking right to the right audience where we're talking about a single-family investor or some residential investor transitioning to a commercial investor, there's, you know, the other principle I talked about since we want to tie it into the book, Dan, is really is knowing your value. Having that edge, the first principle I put on there was, what's your value? If you don't know the value you add to a transaction or to a deal or to a relationship, then you really don't have a lot of value. What I had to figure out is, you know, I like the creative nature of real estate in commercial, because now you can actually use some creativity and innovation, some insight into how I can meet the problems, how I can solve problems for another person.

When we look at every deal, if you compartmentalize making an offer and you'd look at three different segments of a deal, it always breaks down to in the negotiations its price, terms, and timeline every time. That's really what an LOI, a purchase agreement, or a negotiation is, it breaks down into those three things. Those three things are really malleable when it comes to commercial real estate. A lot of times people are just so one-dimensionally focused that I have to get my price. I think that's why we were drawn to, you know, Scott Shield and at the same time I was 2006, 2007, and it was like, you know, I'll pay your price if you give me my terms. That's the classic line I put in the book. That was really, so what I'm getting at here is, and when we talk about, you know, at a certain level too, the tax implications of the asset of the exit is just as important as the price because it's not how much you get, I mean, it's not how much you make at the end, it's how much you actually keep after it all said and done.

How does that work within your timeline and your strategy of investments? Wrapping it all up together is, for us, it's like, I want to go out there and continue to buy these storage facilities or the mobile home parks. They don't have to look good on the entry-level cap rate, but I need to know exactly where that yield is going to be on the asset after I put in my plan, and then I'm going to be working with these sellers to understand, okay, like maybe, you know, sometimes they reinvest back in the funds, sometimes they do seller financing to defer some of the tax game. Sometimes they need to close fast, other times they need to close over different periods of time so they can allocate those funds to different things.

Sometimes I've bought the actual entity instead of the assets. Where I bought the shares or the units of their corporation to help them offset or help them not have to incur as much taxes by me picking up those units. There are a lot of different ways that I was able to solve people's problems because I kept an open mind. I didn't know everything like you said, you know, and I really wanted to understand, okay, what are we really trying to solve here? Instead of just me taking that initial, no, you know, fuck you get away from me. It's more about me just following up and saying, okay, I get it, you know, I'm in this, I'm not going to go away. I'm going to keep building my company and you know, are you and your family going to keep building?

Are you going to keep buying? Are you selling in the future? Once they respect that I wasn't trying to take value from them. I'm trying to exchange value and start to understand, okay, what can I do that helps add value and what do they have that can add value to me? It's a mutual respect when I deal with the different sellers and now that's translated over to the team where, you know, just like with your team across the country, you know, I love leveraging these skills and communicating and training it where I'm not the guy anymore, but everybody on my team, you know, they have that hunter mentality where they're like, yeah, I like that we're bringing something more to the table than just trying to get someone to sell, you know, because they're just whatever, you know, at that moment just trying to one-up them.

It's a fun business. In this landscape there's still a lot of opportunity, right? What you focus on is what you get. If you focus on the fact that you know that rates are high, there are no deals being done, and you know that there are not enough assets out there, then you won't find any. But there is, there's a shit load out there. There are tons of assets, there are tons of people that don't want to run them, and there are a lot of tax challenges out there. People want to get a good price with good terms, and they want to go do things in their life with their money. We're just going to keep going out there and building relationships and operating off the principles. I think over time people see that and they want to do business with people that they can enjoy, they trust that are going to actually provide value and that's it, you know, keep it back to the basics and not complicate it.

Breslin: It's funny as you were saying it, you had talked… your words were like, what you focus on is what you get, and then you kind of kept going. The thing that came to mind, I was like, wait a minute, there have never been enough deals. Like people are always talking about like, ah, there's not enough deals and not enough transaction flow this year. That's the exact same thing everyone was saying in 2020, 22, 21, 2015, 2014. There's just not enough deals I remember like it's always been the case, and so that's the case now and we're going to find the deals where we can make them make sense. I want to touch on the tax implications topic and unpack that a bit further if we could. You're talking with the seller and I think we residential investors, at least for myself, it is price.

I got to buy it, I got to do a renovation, I got to resell it, and there's got to be a profit that's got to happen in six to 12 months, period. That's how it has to happen. The house, since were like too small, I'm going to give you like $450 a month for like, it just was too small to really justify that kind of long-term management, I think in the residential space. I notice there'd people who built really substantial businesses doing that, but we come to the business as house flippers with sort of one or one trick pony. We got to buy it at a low price. We put the money in and we could sell it, and I approached some commercial negotiations exactly that same way. There was no conversation at all about tax implications. My question is, when you're talking to a seller, are they already aware of the tax implications of the sale?

Because I would assume in my ignorance that the seller's got a price, he wants 2 million, 2 million. He is hung up on his 2 million. I have no clue why. Neither does he, but it's 2 million, 2 million, 2 million. How often, maybe you could give us an example here of where the guy said on 2 million and then you divert the conversation into this entire tax implication conversation, and now this other exchange of value starts to come out and there is creativity buying the units, the shares, a multi-stage closing, they're going to do a seller financing at 1.8 million, you're going to give them 200,000 down upfront. Now the creativity comes in, but it feels like the tax implications of the segue, are you typically bringing that up to the table to the guy with the 2 million, or is he like, already aware and asking these questions and has this fear already?

Boucher: Yeah, I would say, you know, it depends on the level of sophistication but a lot of sellers that don't have a large portfolio don't understand the consequences to the sale, the implications. I think that you know, let's focus on the most important thing when you're dealing with a seller and you have to focus on motivation. This is anything in life, like when you're working with anybody, what do they want? Like what are we really getting at here? Yeah, they want to sell, but no, the selling does something for them to do something else. There's a reason. It's either… a lot of times its pain driven where they just don't want the family to have to deal with it, or they just don't want to take the next steps to try to learn or manage this asset, and to make it, you know, really extremely profitable they're done.

With that being said, the tax implication has to come in a natural way. I mean, it's something I don't want to force it and say, hey, do you know how much you're paying in taxes? I can save you all this money. That's good, I mean, but what I need to… the way I let it kind of evolve is, you know, okay, this is the price that you guys want, and clearly you've owned it for, you know, 20 years. You can say it's a family business. I'm sure the basis is quite low. You have to depreciate it. Even if you don't want to, the IRS code is over a period of time. You don't have a choice, so the depreciation of the asset has to go down.

The basis is low. What I know already is, I asked them, so are you in this case, are you going to be selling and just paying taxes on the gains? Or are you going out and trying to reinvest and find another asset to get a stream of income? Right? That's not a very intrusive question. I mean, that's something that's normal and we all, as real estate investors have to think about it. Some just want the money and I'm done. I don't feel like dealing with anything. I'm ready to take the hit. Others are like, no, I want the stream of income from my wife or myself or the family, and so you want that question segues into that. From there I understand, okay, they're ready to cash out, you know, now there's a couple other, we can go down that path or the other way is okay, they want to defer the taxes.

The big thing is really okay, well, I can go a lot of different ways with it, Dan, but sometimes I'll do, okay, here's a seller financing offer where you can defer off the taxes, but there's less of a down payment and you're going to get an interest rate on your equity. If it's five, six, 7%, whatever we want to give right now, and then that way you can get a nice stream of income, you're the lender and you're just paying your tax on interest income just like it's ordinary income, but you're preserving that equity there and not paying the big capital gains or the recapture. The way I do it is nice is like once we get to an LOI and we can kind of agree on price and terms and timeline. It's not like we have an in-house C P A or he has an accounting degree, so we'll bring it on there and have a talk with their accountant because it seems like the real come to Jesus moment is when they have a… when they have their CPA tell them like, you owe this in taxes and if you sell, you know, even if you don't want to do owner financing terms or you don't want to do a different broken out sale of getting payments or something of that nature that you are going to take this tax hit and then it starts to really materialize in their head that there's no way around this.

Do I really want to take this hit or are there other options where I can maintain some of this equity and earn money on it over time, or provide a steady stream of cash flow another way?

Breslin: Are you bringing the accountant with their accountant in after the prices are agreed, or have you already sort of floated the seller finance deal? When does that feel like a heavy lift kind of a conversation schedule with the seller? I'm wondering what part of the dance can you bring something like that in?

Boucher: It depends. I mean, I would say 75, 80% of the time it's after. But what they do is, what I've noticed is you'll give them the LOI with the price or the different terms structured, and then they're going to bring it to their accountant, and then they're going to understand the true implications of the sale, and then it's about, okay, well maybe we're open to some other ideas and that's when we have that call together where the accountant, our accounting team and then you know, us together on the call, we start to get some real answers. Once they validate that yeah, you, they have a real operating company, here's the seller's separate seller references. They have a long track record in the industry. Yeah, okay, maybe I'll work with this guy. I'm not saying you need to have that, I'm just painting the best case so I could, you know, we can start to talk to some alternatives when looking for a different solution.

Breslin: Yeah, and I think the chances of getting the deal done, I think a lot of times when people are teaching these creative strategies some people like Scott, acknowledge the level of sophistication you as a buyer should present. There's a level of credibility and believability that you are going to be able to take this $2 million asset that he poured 20 years' worth of his life into, even if he did mismanage it. He's got a long-term relationship with this thing, and for him to then turn that over to you, I mean, look, if you give him million dollars down, he's not probably going to care how much your credibility is if he's giving you a million. But if you're trying to get $200,000 down or even 20% down, I think that believability in the credibility on that seller's behalf has to level up. I think a lot of times the orchestration of that presentation is ignored by people who will attempt to make these kinds of offers on the front end.

They're trying to fire this off on a conversation, a third call with the seller they've never met face-to-face, right? They're like, bringing this in maybe too early versus paying attention to the timing and the allocation of what part of the sequence we're already at, right?

Boucher: Yeah, a hundred percent. I think it's an evolution. The relationship isn't… you're not going to make it on the first call. It takes time the majority of the time, and then there has to be a progression of understanding. They have to understand exactly what they're trying to achieve. They have to get the right data, the right feedback, as you said, the price discovery, if that's what they're going to do, and figure out what price is really out in the market. You have to be patient along the way, right? And you can't be needy. You can't have your hopes on this deal. Like it's all going to work out and you're going to get this amazing deal. You just got to let this thing evolve, keep hanging in there and keep learning, okay, on the asset level itself, let's disassociate from the emotions around the deal or the seller or the attorneys, and let's look at this asset, even if it's tight and everything's tight, right?

In what we're buying in terms of cap rate and cash on cash returns and all of it. Where is it today? Where can I take it and what resources does it use up in my company? If I'm trying to do five different things, is this really the right thing for me to do? For me, I had to get very one-dimensional and I had to make sure that, okay, I do, you know, mobile home parks and self-storage, this is what I'm great at. And even then I've swayed towards one or the other asset classes when there's more deal flow in one area, and in that progression or that strategy, I have to understand, okay, the deal's tight, but don't, that's fine. I know where I can take it and I can lever this thing up in this case and pay this guy's price and it looks like crap on the get-go.

But one, it's going to fall under the radar of a lot of other bigger people because it's either too small or these bigger institutions don't do really a lot of construction or the rates are… it's in a rule market where the demographics don't really look that good. I mean, you got to see the story behind the story and you got to see your angle. If that's, you know, investing in areas that are the path to progress or investing in smaller markets that people don't really know, but it still has to check your boxes, or if it's an asset class that, you know, it takes a lot of work to manage and you know, there's really not a lot of third-party management companies that can do it. You know, you got to see that angle in addition to your offer.

That way, you know, okay, I know whatever I'm going to do creatively, I'm going to be able to make sure that I and the investors have peace of mind that we can get this thing to where we need it to go to deliver. Because if it's all packaged in a bow, you know, just like, you know, with all the deals that you look at, if it's stabilized, good tenants, good capital improvements, sophisticated seller, good market, I mean, you have no edge. There's zero that you can do to that asset. The only edge that you have is the cost of capital, and there's something to that in a different value up the food chain where you could just go out and keep buying and buying and buying. In America, we know that inflation is not going away. Real estate in America is phenomenal.

We own it [inaudible] simple. No one can take it away from us globally. People appreciate that. I mean, you know, you and I drank the Kool-Aid and it's the right one. I think you know; this is going to be the asset allocation. We're going to primarily be in real estate the rest of our life and people, that's why they're listening. You know, we have to find our niche in that game, and for me it's, you got to be willing to get your hands dirty and do what other people aren't willing to do. But see that intrinsic value, you know, the buffet principles, understand that economic moat around what it is that you're buying, why is it that your assets, you know, special and unique and you know, what is that… how are you going to have that steady, consistent, durable stream of cash flow in the future, you know, 10, 20, 30 years out in that asset? If it checks those boxes and you can do all those things, then I don't think, you know, you're going to make a lot of mistakes. You'll make little mistakes, but those are not macro mistakes. You can get through that.

Breslin: Nice. I want to touch on the new construction because I think this is what, maybe two or three years in your career you started coming out of the ground with the industrial properties. Would you mind kind of like highlighting some of what has been exciting for you in that space?
Boucher: Yeah. It actually was… my first project was in 2017. It's been a six-year project in terms of me learning it. But I knew, you know, one is not having an ego and being self-aware like, I'm okay at it, and self-storage is a very relatively easy process to develop single story metal building, you know, pre-manufactured like a kit and you're building that storage on a site. I grew up paving in New Hampshire for my father in the summers, and he owns that company. I learned

a couple of things about drainage and site work and soils so that helped me. I knew I didn't know a lot of things. I had to look at who did and that's why I brought on a good buddy of mine as a partner that we went to high school, played football together, and he was in construction for, you know, 15 years after high school.

I said it was serendipitous where actually he heard me speak at Scott Shield in Vegas. And he was ready to give up the house flipping game like a lot of you know, us have done where he said, okay, I want to be in this commercial full-time. His edge is understanding the development process, project management, materials, and costs. All of it. It was great for me, and I saw the writing on the wall. What you said at the beginning of the call, Dan, of a lot of crazy money chasing assets, inflating values, it wasn't going to go away. I saw mobile home parks as being an affordable housing solution where you have a lot of leverage on the asset because the people own their own home and you just rent out infrastructure and land in a land lease community is a phenomenal business model.

I knew that that cat was out of the bag and that secret was going to cause those assets to inflate. I was frantic, I was a maniac, you know, doing cold calls for 10 years before, you know, I knew that that asset class was going to just explode in value. Then I had to find what my next edge was going to be when I saw the writing on the wall, and I saw it was going to be self-storage, but self-storage at that time, you know, it was really, you know, going in. I didn't have the money either, so, even in 2016, I didn't have the cost of capital. I didn't have a cheap cost of capital, nor was I a good capital razor. I had to go into these facilities that had additional land and tell them, you know, a lot of time in my first deal and we could do an episode in the future someday as a case study.

My first deal was really creative where I bought a facility on the border of Vermont, New Hampshire, across from a Walmart, and it had eight acres and it was only utilizing an acre. The owner was in the later stages of her life and investment career and didn't want to really, she liked the stream of income but didn't want to take the risk of development and didn't really understand it. I went in there and I figured it out before I had a partner, but what I was able to do is still structure terms where she remained as an owner on the asset and I was able to do, and now it's been four phases. I've done four expansions on this asset, and I bought the one down the road and she and her daughter maintained an investment where they kept investing in this partnership.

Now, we have almost a hundred thousand square feet in this market and that generates roughly 80, $90,000 a month gross in top-line revenue and storage is a very low expense ratio. That little million too that she wanted, she's like, I'm not going to sell to anyone. It was on the market with a local realtor. I said, sure, I'll give you the million two. I put, you know, what I earned at that time, about 250, 300 grand down and then we can get that into it in the future, how I did it. That start right there created over a 10 million assets from just that beginning chain of events based on a letter campaign with an on-market deal with a local realtor with a really high price facility.

Breslin: But at 1.2 was the high price at the time, right?

Boucher: Oh, yeah. For that per foot in that rural area in 2016, no one wanted to pay it.

Breslin: Yeah, and one of my own takeaways is I look in from the outside again in my ignorance, but I watch a lot of deal flow throughout the country just by the nature of the business that I'm in. I see developers buying land, auctioning land, getting land rezoned, getting the entitlements done building, and there are people who are really good at the entitlements and the permits and like spotting, getting that project to the point of a shovel in the ground. Then it's oftentimes a different entity or person that's really good at putting a shovel in the ground at a reasonable cost and probably a different entity. I don't know.

It comes in and stabilizes it, manages it, and sort of takes it down the next path. At each of those levels, we're almost three layers of sophistication away from easily putting a value on it. I have a self-storage facility at 1.2 million and it brings in $120,000 a year to 10 cap. Keep it simple, right? That's probably not the deal. It's easy for an owner, it's easy for everyone in the market to agree, okay, 120 grand and a 10 cap is 1.2 million. But how do you start to figure out maybe the cost per square foot on the land-based on comps? It's a little more opaque, it's more vague. This comp land is on 60,000 vehicles per day. This other comp land has really no vehicles per day because it's off to be impaired, right? It's really hard to comp the land itself and then the zoning shift, right?

It's like, what does it cost for somebody to build it? I'm not going to keep going on with the examples, but through the development process and putting a new building where there was none before, there's so much opacity there that it's hard to put a value on it. I've seen, I've witnessed a really large upside for people who've been able to bring projects through that cycle successfully and spot that. I'm sure the guys and gals out there in the world who are getting cream are not talking about it on a podcast and are not coming across my desk. I'm sure with all that risk and opacity, some people are failing at it. But if you can figure out how to do that well, it feels like, it seems like there's less competition on the field in a space where I'm going to bring projects out at the dirt. Is some of that accurate? Is any of that needing some correction?

Boucher: No, that's terrific. I mean if this is a life investment or a choice that someone wants to just be a pure real estate investor and they want, and this is their core business, yeah. I mean, there's a lot of money to be made in development because that's where there are a lot of nuances and there's real value and skills that need to be brought to the table in order to execute a project because you're building things. I mean, I respect people that build things and create things. With that being said, I like how you segmented that where, you know, there really is three chains… there are three different aspects or compartments of value in the development chain. You're right, it's entitlement on the land itself, and then you have the development, actual construction process, and the financing behind that.

Then you have the management and operations to actually stabilize it and get it to the finish line. Those are very three distinct different skills, and the entitlement, what that means is just a big word of saying that you are getting the land, all the necessary approvals through all the regulating bodies through your municipality, through the state, through the EPDA or through any anything, FAA, all the different governing bodies. You are getting everything that you need to allow a developer to be able to develop a piece of real estate on that property. There's a lot of value to that. That can be a very political game as well. I mean, that is where I would say in America where on a local and state level, that is probably the most intimate connection where politics and the way that actually regular people are affected by the world by a political movement.

On the federal level, that's an all different animal, but yeah, so I think that for you to be able to get the proper zoning, to get proper… even if there's variances or approvals, you know, that is a… and there's a lot of engineering around that and design, that's a definite skill in its own, and like it is exactly what you said. Then to bring in the development portion to understand your costs, your soils, the different challenges that you're going to have on the site and then actually building the building, you know, and storage is, we could do another one if you want in the future, but it's fun to do because it's like a Lego kit to a degree where once you have a design, you know, they're going to ship out the pieces to you.

And you know, I would say 70% of your focus or more is going to be on the actual site work and the drainage. You're building the foundation or the structure to that you can hold the building on top of. The rest is you don't need as much sophistication, and you have to get a certificate of occupancy, get it to the finish line, and you have to finance it along the way. That's not easy right Now, that is a huge obstacle, Dan is you know, banks don't, they only want to take risks on things that are no risk. You better be a good borrower, know what you're doing, and then at that stage have a good project that you can justify that I'm going to lease this thing up over this period of time, and there's plenty buff, there's plenty of room there with your reserves and all the operating expenses and your interest reserves that you're going to be able to lease it in a matter of time where you can cover their loan and debt cover on that project so they feel comfortable and that you have to package it right, you have to have that relationship because the banks, you know, no Wells Fargo or JP Morgan Chase, they're not going to do a storage loan in, you know, suburban New York or suburban New Hampshire.

You're going to have to work intimately with the local banks and credit unions that do believe in the project and in their community. Lastly, management and operations, you know, that's a different skill. I mean, you better start pre-marketing that asset. You better start building up a waiting list. You better start getting communication over the phone where these people that our people provide good customer service for these people, and you start securing leases, then you continue that marketing and customer service and you got to get it to that break even, and that stabilization, that's 85, 90%. Then you actually get to hit the win.

In order to go through all that, you better get paid, right? Your numbers better be on point, because at the end of the day, you're going to sacrifice three years of time with no cash flow any way you slice it for the most part. Any of these assets where you're leasing them up over a period of time because there are multiple tenants and then going to finally get that payoff. You better have that margin where you're building in 30, 40, 50% plus of value, doubling the value of your cost in order to really take that risk and go through that process.

Breslin: Yeah, it was enlightening. I have a few friends, one of my friends put some money into a storage facility and they were at 55% occupancy. I know that the operator uses third-party management, I don't know who they are, but like a year or two later and they're at like 57% occupancy. I'm like scratching my head and I was relieved to hear the focus that you have in your book when you're talking about management, marketing, and Google AdWords. I think a lot of times third-party management, their idea of management and operations is like, let me list my rental on the MLS. Let me throw this commercial property into LoopNet and let it do its thing, right? You and I both know a lot of the guys in the commercial academy who are taking this robust Facebook paid advertising approach to renting out 15 to 2,500-square-foot retail shops.

Everyone listening to this call has been driven by, at some point in last week, vacant 1500 to 2,500 square foot retail shops, probably with a for rent sign in the window. Maybe it even has a competence brokerage thing in there. It's probably in the MLS it's probably not having any paid marketing put behind it. Where we talk about the competitive edge and our deal flow, one of the things I felt really good about making my investment in Patriot was here's a team that puts as much emphasis on marketing, and paid marketing messages as I have put in our business and the kind of care and attention to detail in like the marketing and the advertising, getting that to succeed, that's critical. I feel like we're entering a new phase of real estate. The successful ones probably already did do that all the way back, right?

When they were selling my 450-unit condo building where I live now in Chicago in 1972, they had television commercials selling this building. They had newspaper ads selling this building, right? I would probably venture at the successful real estate operators, who probably did have paid advertising approach [inaudible] first and foremost kind of a thing, but I think there's a lot of people who are able to succeed with a very low cost, somewhat passive approach to leasing up space. I think that's scary. If you were looking at investing with somebody like that or you were an operator like that unless you're a third generation paid off portfolio in an air company of that nature where it didn't matter as much.

Boucher: The bar is so low, right? I mean, it's… you're right. I mean, until this point, over the last 10-plus years, you could buy a piece of real estate and it just went up, right? I mean, if you bought any piece of real estate rates went down, cap rates went way down through hard assets because of inflation went up in value. You could be a horrible operator and still have done well for you and your investors. Then you have this false delusion that you're amazing at commercial real estate investing, and then that's just not the case. Now, if you have to delve into some really challenging asset classes with a lot of different tenants and you're dealing with either shorter-term leases or small unsophisticated tenants and businesses like retail, industrial, or office.

You know, you have to. It is a business like I just, you know, you bring it up and I'm glad you do on this call and you keep reinforcing it that you can't just buy the piece of real estate, get a good deal, and set it and forget it or hire someone to do this. In these asset classes., you have to asset manage. Even if you do hire someone to manage it, you have to look at it and it's so simple. It's like, holy shit, we're not on Google Maps, like get on Google Maps. Like, okay, you know, call the number, hello? Is there someone friendly like that has no heavy accent that understands what the fuck is going on at the property, and can answer your questions and help someone? Like so simple.

Then, okay, they want a lease. Are you communicating the information about what they are leasing and what the lease is and getting them the paperwork quickly? These are just basic concepts that are expected and you'd be so surprised because you're right, these realtors and the way that the business has been done with this buffer or this kind of middleman of a realtor in between there where they don't have an economic incentive to lease a 1500 square foot space. They put that shitty sign in there and they never pick it up in their corner in the actual window. There's no QR code, there's no website, no one knows what the actual rate is. I've had to tell these guys and just hammer on them, put the rate on there. If I want to release something, I want to know the price, so don't play this bait-and-switch thing and then you feel them out.

I'm like, I don't care how it's done all over the country and by every single, you know, special Colliers Numark, you know, CBRE. I don't care. I'm the owner, this is the customer, this is how we have to deliver and you have to put yourself in the customer's shoes and then I think you're going to have a successful business. I think people get stuck in this conventional like framework that maybe I don't know how this is done, or I have to do it like everyone else does it, and that's complete because the Elon Musks and Jeff Bezos, and the Warren Buffets, no one gives a shit, right? You do whatever you do that knows that you create value for people pulling it all together and then you're going to make a lot of money because you actually are creating true value and you're not letting anyone stop you in some conventional, traditional thing.

Breslin: Man. I love it. A couple of wrap-up questions here. We could probably go on for another hour or two, Jeremiah, we'll definitely have to schedule a follow-up episode or two. I love to ask for book recommendations. The first one I'm going to make is going to be Finding Your Edge by Jeremiah. I read it, I bought a couple of copies for the guys on my team. Everyone's running around reading it. It's relevant whether you are going to be in business, in commercial real estate, or not. I would say that the principles you find there are applicable if you are trying to build a 10, 20, 30-unit rental portfolio, you're trying to flip 2, 3, 4, or 5 houses per year, even though it's a lot about off-market deals and dealing directly with sellers, the same takeaways and attitudes I found there are effective to be deployed with real estate agents and brokers and getting deals done as well. If that's your methodology like it was good. It was a good book. Aside from your own book, unless you want to layer onto the recommendation there a little more, do you have one or two that have been instrumental in forming your mindset that might make sense for listeners?

Boucher: Yeah.

Breslin: [Inaudible] on the wall, [inaudible] bunch behind it.

Boucher: Yeah. I love books and I write all over them and you know, that's part of the process. I like the audible version, I like the written version. I like the story format of biographies. I like you know, obviously educational. I like a lot of different topics. What I would say well, not to plug all my stuff, but I am doing the next book, it's called The Money Edge, and it's all about tax strategies and commercial real estate and how to, you know, create your entity structure, how to defer taxes, how to plan an exit, how to help not, you know, get litigation, you know, to affect your portfolio, to lose your assets very loosely on trust. It's just a good macro overview of kind of framing out how you want to build a real estate portfolio or, you know, a family office for lack of a better term.

I think people want that education, and I'm not great at this and it's not by any means, you know, professional advice, but I did have a lot of people that helped me out with it, and I think it's going to give you a framework on how a lot of your listeners can evolve and grow in that space. It's going to be tough. I don't know if I'm going to do the audible on that one, but we'll see but I'll get the written version out here in the next month. It's called The Money Edge. In terms of books that have, I don't know, I mean this, we could have a whole conversation on this, Dan. There are so many good ones. Oh, man. I'd say one of my favorite books, that's not anything to do with self-help or real estate or business, but it's Andre Agassi's biography called Open on Audible is one of my top three favorite books of all time.

He was candid about, you know, drug use and his challenges, you know, with the overbearing father and him growing and progressing in tennis and learning who he was in some of these demons that he had. It was just so well written and it's a great journey to go on with him and it'll teach you a lot about yourself what formed you and what drives you, and then how contribution and something bigger than yourself can help you evolve as a person. It's a special book, right? It stands out and it made an impact on me, and then there's a lot of other ones that philosophically affected my life, like the Fountain Head and Anne Rand, and the virtue of selfishness, like that to me is… I think people, it's a deeper earth question, but it helps allow people to dig in deeply about what's your personal philosophy.

I love, you know, Noah Sari, or however you say his name was Sapiens and Homo [inaudible] and 21 Challenges for the 21st Century, where that's a real macro, big picture thinking about, you know, how we evolved as a species, what drives us, what is the concept of a lot of these… the zeitgeist that we live in, these ideas that affect all of us and program on who we are and where we're going and how that intertwines with AI and a lot of other interesting concepts and the ethical things that we're all going to have to deal with. That's not real estate stuff, but those are things that I enjoy because I can't just look at cap rates and cash on cash returns you know, like 20 hours a day.

Breslin: Yeah, I hear that. Cool. I got some exciting ones here on my own list. If we could take the crown jewel of wisdom, Jeremiah, let's say it was 2006, 2007, you're walking back into Scott Shield's event for the first time, right? It's a younger version of yourself. What is the crown jewel of wisdom, knowing everything you know, now that you would go back and share with yourself then?

Boucher: Yeah. I guess at that stage if I were to go and talk to that guy, like, I don't have any regrets, but I would, I guess the advice I could give him is stay focused on one thing, don't multitask. Don't try to do so much. Be patient and just stay focused right here, you know, and follow your intuition and don't let anyone else influence you. Just do what is that conviction or in your gut and just stay focused on that thing, and don't worry about… don't let great get in the way of good. Just focus on that one thing and just do it well, but you don't have to be perfect. Just keep moving forward and take action, and don't get scatterbrained about all these different things.

Breslin: I love it. I love it. Stay focused. What is the kindest thing anyone has ever done for you?

Boucher: The kindest?

Breslin: Kindest thing.

Boucher: I'd say to me, the people that truly sit down and listen. It's very rare and special in life where someone actually listens to you like you can really see it and you can feel it, and they're not distracted and they really care and they ask you a few follow-up questions and they want to get into your world. You know, anyone that really sit down and gave me their undivided attention and time and cared about me genuinely, that's probably the best gift I've ever received in my life.

Breslin: I love it. That's good stuff. Where should people go if they want to get some more information? Do you have a website, URL somewhere they should go?

Boucher: Yeah. patriotholdings.com. Jeremiah Boucher, I'm on all the different social media and then, you know, finding your edge. It's right on Amazon. I think people can find us there and just set up a call. We're happy to talk to everybody and, you know, thanks for putting me on your platform, Dan. It's fun. You ask really insightful questions. I feel like, you know, I respect I'm doing less of these because I only want to be on shows where I feel like I can make an impact on the audience, and your message aligns with mine. I'm glad that I spent this time.

Breslin: Yeah, and I could tell it was very tough to get you on the show with the schedule. It took a little while at least on my end. I'm like, hey, I got to get the invitation out here. That probably was like three months on my to-do list. Not any of your responsibility about mine, the difficulty in scheduling, but I'm glad we linked up. I got like three pages of notes here, had a blast, and I'm looking forward to doing some future episodes with you. I appreciate you coming on the show and appreciate all that you've done. It's really cool to see what has been built.

Boucher: Yeah, let's do an evolution through this. Let's do it once a year at least.

Breslin: All right, sounds good.

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