Man 1: Welcome to the R.E.I. Diamonds Show with Dan Breslin, your source for real estate investment jewels of wisdom.

Dan Breslin: Hi, Mitchell England. Welcome to the R.E.I Diamond Show. How are you today?

Mitchell England: Very good. Thank you, Dan. Thanks for having me here.

Dan: Nice. So I'm in Chicago. Listeners know that. Whereabouts are you recording from?

Mitchell: So I'm in White Salmon, Washington, about an hour east of Portland, Oregon, right on the Washington side there. So kind of a rural area, but really beautiful.

Dan: Okay, cool. So as our origination story, maybe you can kind of touch on how you got in real estate and sort of how you evolved into the space that you're in now, and then kind of a summary of where you're at now, just to get us started.

Mitchell: Yeah. So I started really young. I stumbled upon Rich Dad, Poor Dad, which I know a lot of people listening to this probably have a similar story. But I read that book and it changed my whole perspective on life and how to provide value, and it made me start to question everything. I probably read the book at 16 years old. I was in high school at the time, and I was watching the run-up happen. That was like 2004, 2005, right in there. I was watching a lot of people make a lot of money in real estate. And so, that book paired with this huge run-up in the market, I was like, "Man, I got to get in this game." I know you're laughing, right? Because what happens next? But that was my first like, "Hey, what is this thing? How do I get into the game?" And I started asking that question. So early on, I jumped in, I bought a couple of pieces of property, thinking, "Hey, I'm going to go make some money on these things." A couple of bare pieces of property, actually like vacant land. And you know what happens next, right? Oh, [inaudible] and I'm holding the bag, right? I'm holding these two properties going like, "Huh, maybe I don't really understand this game as close as I thought." And so, throughout my 20s, I was really interested in real estate. And I dove into a couple of other land deals, a couple of smaller duplex, single-family type stuff. And for me, the big aha was like when I got my first cash flow property, I thought, "Oh my gosh, someone else can pay for this. This is pretty amazing." I probably should have been a faster learner than that, but it took like six or seven years to figure out like, "Oh, I could put a renter in. This is pretty incredible." But I got addicted to the cash flow real estate. I just got addicted to it because I thought, "Well, gosh, this could give me not only like pay for my real estate, but also give me freedom." And so, that first cash flow property was sort of a house hack. And from there, I started to buy some other single-family duplexes, kind of some smaller stuff. And then during that time, I was also working my corporate job. I was working at a med-tech company. And so, life was really busy, but I started to see real estate as like this escape, this thing that I could do. I could build up cash flow properties and slowly leave my job. And so, that was really like the catalyst.

Dan: Okay, cool. So then this is still in the same Washington, Northwest United States market. Is that where this predominantly took place?

Mitchell: You know, I moved around. I moved to San Diego for college, Florida early on for my first job. And then I ended up moving back to the Northwest, then Minnesota. So I bounced around a lot. And so, I actually ended up buying some properties in different places, a couple of rental properties in the Wisconsin, Minnesota area initially, and then also in the Washington area. And so, right away, I dove into that like, "Okay, not only is a cash flow property but how do you manage something from afar?" And so, that was also interesting to realize like, "Hey, with systems and with our technology and software and property managers, you can actually own things like outside your immediate area."

Dan: Okay, cool. Yeah, it's interesting. So by happenstance, you bounce around the country a few times. It shows you there are a couple of other markets. I think I kind of did something similar and people would probably laugh as I say what I'm going to say now. It's like, I moved from Philadelphia to Chicago because my daughter was going into high school and I wanted to be local when I could finally do it, right? I knew I'd kick myself if I didn't make that move. So I did it. Luckily, the Philadelphia office stayed in business and we did Chicago, then we added a couple of other markets. And I would go into the in and out of these markets and some of them were still sustaining in, but just over the last year, two years, maybe I feel like I'm finally grasping how to research at like a deeper level and pay attention to the numbers of things like population growth rate and what are the demographics. And for me, Mitchell, I've always been, I need like 8 to 10 million people in a market or it's just not interesting to me. It's like Philadelphia, New Jersey, Tri-State, Chicago, Illinois. And like Atlanta was this tiny little 5 million-person MSA and wow, that's super tiny. It turned out to be the best market in the country for what we were doing here for the last six or seven years. Very favorable market characteristics. But man, it's like I've been in the business 16, 17 years, something like that. And just now, 15 years in is when I feel like I made the switch and started to pay attention. I was completely ignorant of a lot of the opportunities around the country. And I was afraid to really look at that. And so, maybe I'm sharing all this because we're going to touch on how you own assets throughout the country in a few minutes here. But maybe if someone's listening and they're still kind of that, I'm investing in the backyard and down the street, because that's where I saw the for sale sign kind of thing. It's like, I don't know, I've had properties out of state in a lot of different places and certain areas of the country just outperformed the others. And it's like, in a five or a 10-year period, the right selection could double, triple, I don't know, maybe even 10X in some instances, compared to some of the stuff that might be in your backyard already. So would you mind touching on the evolution to mobile home parks and sort of what that looks like now?

Mitchell: Yeah, of course. So I'll continue my story here. In my 20s, I'm looking at single-family duplex-style properties, and I got hooked on that cash flow as I talked about. And what I realized, and you were kind of just touching on this, was like, I can't find good cash flow in my backyard. And so, being in Washington State, a lot of the properties are pretty overpriced, as well as like the state of Washington, Oregon is not necessarily landlord friendly. And so, it made it a challenge. And I started to realize like, I need to get out of my market. And so, owning a couple, I had since moved back to Washington, and I owned a couple of properties in the Minnesota, Wisconsin area. And I realized that we can invest all over the country if we set up the right systems. My partner, Travis Dillard comes from the technology side. So that's been really helpful too. And so, when we got together, we put our heads together and we asked the question like, "How do we scale to multiple hundreds of units? And how do we do that to where they're not all in our backyard?" And so, we ended up just deep diving into this topic. How do we do this? What would the systems look like? What does the software look like? And do we need to hire somebody to be in-house as an asset manager? And so, right around this time, I had sold a single family and pulled out some cash. He sold a duplex and we came up with a crazy idea. Let's jump into mobile home parks because we like the fundamentals. We like the cash flow and let's do it as far away from our house as possible in a market that we like. I know it's sort of ridiculous. So we bought our first mobile home park in New Bern, North Carolina, all the way on the east coast, 2000 miles away or something, 39 units, almost half long-term RV, half long-term MHP mobile homes. And we bought it and we underwrote it. We felt like it was a good deal. And then this morning I call him and I go, "Hey, how are you feeling?" He goes, "I think I'm going to throw up." And he goes, "How about you?" And I go, "I feel the same way." We're both scared to death. We're going, "What do we do?" We [inaudible] on this deal. It's 39 units, a little bit over a million dollars. And what happened next was interesting. We started to fail. In other words, we put a property manager in place. We felt like we could have a third-party manager to manage the property. They did a terrible job filling and keeping the long-term RV. The property started to slide backwards. And we really got our school hard knocks, I guess you could say. We really got beat up on this thing for the first three or four months. But we were committed. We're signed on the debt now. There's no going back.

And so, we started to build out systems. We started to build out a management structure, and checklists to where we can manage this thing from afar. And today we actually still own the property and it's a very well performer. But it was that first, we had to sort of rip the Band-Aid off. We'd both been in real estate for 10 years or so, investing relatively close. I had a couple in another state, but we didn't have something that was that big and that serious. I had some smaller single families that weren't sort of as risky. And so, that was our first jump. But what was neat though is once we figured it out, we realized, we basically said, "Look, if we can make this thing perform well, we can run it from our office in White Sand, Washington, 2000 miles away, then we can buy wherever we want in the country." And so, it became our goal over that 6 months to figure it out and to really solve the problems.

Dan: Nice. So let's pull apart the first deal. How did you find that deal? And what made you put an offer in on that deal?

Mitchell: Yeah. So it was on the market through a broker. We weren't terribly savvy at the time as far as off-market properties. My partner had a 1031 that he was doing. He was going to tick in, tenant in common, and I was coming in with some cash. The deal was, this was four or five years ago. And so, the cash flow and the cap rate were pretty strong. We were up above near nine cap on actuals. And so, we felt like with a decent cap rate cash flow going in, as well as an area that's had a traditionally very strong population, as well as good job diversity, we felt like that over time we could force appreciate, we could move rents up and to the right and secure a win. We also got really good debt on it. And so, we felt like, "Hey, the spread between the debt and the cap rate is really strong. And it gave us a really good DSCR as well for our downside." So overall, we felt like, "Look, this is a great jump into the larger properties, like the mobile home park side. We have good cash flow and we have good coverage on the debt service coverage ratio." And those are two things we look at, by the way. We're really focused on, "What's our cash on cash? That's our upside. What's our downside? What's our margin above debt service, which would be your DSCR?"

Dan: So the rents were like $190 a pad. Sound about right per month?

Mitchell: You're close. Yeah. I'm trying to think back. I mean, since then we're higher. So I think we're right above $200 or something right [inaudible]

Dan: And where are they today, four or five years later?

Mitchell: So we're above like $300, we're right in there, but we're actually too low. We're still chasing the market. It's been a really good market for us. In the market, I would say it's probably four to $450 and we're chasing those in a responsible way. We want to make sure we're not raising rent too fast. And we also like to, we love to add value, right? We added a dog park and a community garden and we like to make sure we go in and do repairs and we're being responsible landlords. So it's always that balance, right? How do you keep up with rent, but also be doing a responsible way?

Dan: Yeah. It's funny. I buy multifamily stuff just to kind of keep in the, treat it like an IRA in a sense for me, it's not my main business model. I'm not doing syndications. It's like I have some cash, I buy the apartment and I'm not going to buy something with market rents. But then I turn around and I look and I feel like I'm always chasing the market. And I'm like, "Wow, no matter how hard I try, I'm never going to... like I pencil it to have more market." The cool thing is that when I underwrote the deal that I bought four or five years ago, whatever it was, where I thought I would be at market $1200 a unit or something. Now, I'm at like $1300, $1350, $1250, and the market's $1400 or $1450, but I'm still not a market. And I was like, "I guess this kind of happens to all of us owners over all the course of time." Like we're never going to get to like just a perfect market, all of the units rented up because the market's always changing. I mean, unless the rents come down, but we'll knock on wood for that, right?

Mitchell: For sure. No, we'll knock on wood for that. Yeah. We don't want that to happen, but I think it's a factor of like, you can spend a whole podcast episode just on inflation and money printing, but if they keep on putting capital in the system, rents have to go up, right? Commodities go up, prices go up across the table. And so, for me, it's like this last couple of years, we've seen a big influx of new capital and that's affected the entire game. And so, properties where we looked at two years ago saying, "Hey, market rents $400, now it's $500, right? And so, now, you get to $400 and you're going, "Shoot, I'm still a hundred bucks behind." So I think it's up to every operator how they manage this, but you got to look at that. And you also have to look at the human side, right? How fast is too fast? What's responsible? Where should you be adding value and making the tenants' lives better? They're your customers. And so, it's not a cut and dry, hey, go in there and make them all market rents tomorrow, right?

Dan: Yeah, a hundred percent. So where do you fall, Mitchell, on the scale of syndicators who are buying and flipping whatever asset it is? It's a mobile home park, it's a storage facility, it's multifamily, and their goal is to flip it in three to five years on one end of the scale. So they're like fixing flip syndicators. And then there's kind of the buy-and-hold-it-forever kind of people at the other end of the scale. Whereabouts do you and Travis fall on your ideal philosophy for hold times?

Mitchell: Yeah, so the ideal philosophy for us is to hold forever, the simple answer. We've sold a couple of assets for different reasons, but one was in a landlord-hostile state and we were seeing the effects of that. We've also sold like we sold a C-class apartment complex that the problems kind of never end, right? So we call it trimming the tree. Each year we'll trim the tree a little bit and take the assets that... We're all about lifestyle design. We want to live fun lives. And so, when you have problem properties or properties that you see going the wrong direction, I think it's responsible to trim. But for us, our investment philosophy is like, how do we find an asset that we can buy, force appreciate, refinance, and put really nice debt on and hold for the long-term to where ideally you're pulling your capital back out and you're able to redeploy that, but while still holding that asset. I think that that's an interesting model because you can sort of grow generational wealth and it's also tax efficient, right? Versus sometimes if you're selling these things, you're going to get hit by the tax guy pretty hard. So that's kind of our philosophy. Obviously, there's probably no right answer to that. It just depends on your approach.

Dan: Yeah, I was following one of those guys on Twitter before the show. I checked in this morning and he had two charts side by side. This was his post and he was explaining why he does the flip model. And it was like, "Well, I do the value add and I have this hockey stick and then the cash flow stability period is kind of like more leveled off. It's like a plateau." So you and I, our long-term hold kind of philosophy, I also share on the stuff that I own. So the growth is much slower on that long-term hold period. And his thing was like, if I'm flipping, he's got a hockey stick, short cash flow, sell it, another hockey stick, assuming that goes well and assuming he gets into the next deal and it's perfect.

Mitchell: Right. Assuming, yeah.

Dan: Yeah, that hockey stick. And so, he had like kind of three of them and I'm like, "I just don't know how that works out in reality," right? I follow Warren Buffett and he talks about the consequences of paying taxes all the way along the way. And so, one of the reasons I bought the apartment buildings is to call segregation. I think the IRS tax code in the United States is great to incentivize me to put my savings to work in housing people in affordable units compared to the stuff that's out there. I don't know that I would have been as interested in buying these apartment buildings had I not had a tax incentive to do so. So I'm like way ahead by holding, owning, and operating from a tax perspective. And then I'm also under stress as I continue to earn income to find the next investment. And I feel like I'm trying to find that value add so I could keep having to stair steps, but I feel like it's a little stressful sometimes. I don't have the time to hunt for just the perfect deal that's out there. You get comfortable with an asset, it's cash flowing, and you stabilize it. You're comfortable with New Bern, North Carolina and you know that you get these things of 400 as the vacancies go and you did the dog park and people love it and you got the feedback. And every time you buy an asset, you have to learn the asset. You have to churn the population and sort of build the community there. So you do all that work just to send it off and have someone else kind of do the same learning process and probably turn it all over again and start over. I don't know, it seems like a lot of work sweeping back the ocean maybe. And if that's the model and there are very large scaled syndicators who do this, perhaps it's just at a different location than where you and I are, right? But two sides of the coin.

Mitchell: Two sides of the coin, yeah. And I think that's where there are so many ways to look at this and ask the question, what do you really want out of real estate investing? And that's something we've had to really identify our why and where we're going with this and what's our vision and what's our ultimate goal. And our ultimate goal on our side is how do we create a portfolio that builds over time, that is inflation-proof, ideally. Knock on wood. Not totally inflation-proof, but it's a good hedge. How do we build a portfolio where other tenants are paying for my life via cash flow or also paying down my debt via mortgage payments each month? And a portfolio where the cash that I put in and the cash that comes back to me is tax efficient. And so, those are all the questions that I've asked. And it feels like the buy-and-hold model sort of fits inside that. And so, that's where we are. Not to say people can't make money with the hockey stick model you talked about. But again, it's also easy to do a video and say, "Hey, here's what I'm going to do." And then you go hit the payment. It's like, "Well, I don't know if it's exactly like that." Right?

Dan: Yeah. Right. Let's see the huds and check back in like five years when we may be on another great decade for multifamily. But the cap rate compression we're looking at in the last decade, I don't know. It's a perfect timing, perfect storm kind of a market. Who knows? You had mentioned more than once already on today's show. You alluded to good debt. Can you describe what the good debt was on your North Carolina property? And what is good debt today in 2023, Mitchell?

Mitchell: Oh, man. Good debt. That's a good question. So on North Carolina property, we were down like in the fours. We probably 4.5% interest rate fixed for 10 years, 25-year AM. That's good debt. I love that debt. Right? When you have an interest rate that's at or below inflation, you're technically making money on your debt. And so, for me, that's really solid debt. Now today, we don't have the same options. Today, I think that if you were to describe good debt, I think you're looking at agency, Fannie, Freddie, debt, non-recourse. You're bigger, which also changes the requirements or the type of properties you're going after. But a lot of people don't think about the non-recourse side as well. On our way up, we've been recourse. We've signed our name on a lot of debt, right? But as you grow and I think as you expand and your net worth grows, you have more to lose. And so, for me, the definition of good debt has changed over time. And today, that's non-recourse. That's ideally a lower interest rate via an agency or Fannie, Freddie loan, as well as a longer-term, so like a 30-year AM. So I guess that's how I describe a good debt. But also debt lines up with your cap rate, right? If you have no spread from your debt to your cap rate, your cash on cash on your property is going to be relatively low. And so, the debt changes over time too, right? If you're buying a 12-cap with 8% debt, well, guess what? That's a decent cash flow property, right? But if you're buying a 5-cap with 8% debt, then you're not looking too good. So it's the whole picture we're looking at.

Dan: Will that agency Fannie, and Freddie's stuff, does work on mobile home parks?

Mitchell: It does, but they have requirements. And so, they want to see over 50 units, they want to see paved roads, they want to see tenant owned. So tenants own the homes versus the park owns the homes. They like the bigger parks. They want to see good collections. You're talking about properties that probably don't have the value add component that is probably more of a slow play, longer-term hold. And so, with that good debt also comes sometimes lower returns or potentials for returns. But again, it's what's your goal? If your goal is to buy and hold them forever, then it can work pretty well.

Dan: So let's touch on the model. Do you guys have how many parks at the current moment?

Mitchell: So we have six parks across the country. We have inside our portfolio six parks. We also have a boutique hotel. We have an RV park that's a short-term park.

Dan: Okay. And it sounds like parks are kind of the thing that you're hoping you'll find another three or four of or something like that in the future at least, right? It's the parks.

Mitchell: Yeah, we like the parks. We've branched out to the short-term RV, which is great. We have a little boutique hotel, which is kind of in our backyard, which is a side project. But overall, our philosophy is that parks are relatively undervalued in the big picture. Now, if you look at mobile home parks right now, there are pretty high prices on them and relatively low cap rates. But you're also looking at rents that are a fraction of the next available apartment. And so, the mobile home park space is really interesting. There are only about 45,000 mobile home parks in the country today. The inventory is also disappearing. So you're buying into an asset that has an inventory disappearing and the demand is growing. And so, the fundamentals of a park, there's just so many pieces to that. If you buy the right park and it's tenant owned, you're really buying land. You're really a land lease model because you're not owning any structures. And so, with some of our best parks, we're seeing expense ratios as low as 20% because the tenants own and maintain their homes, they pay utilities, and we're responsible for the roads and the culverts and the signage and maybe the community space. And so, for us, the park model has been really fun. It also aligns with our goal for lifestyle design because they're easy to manage. We don't have HVACs that are going out and roofs that need to be replaced in an all-tenant park. And so, there's just so many things that sort of add up on the mobile home park side. Now, the downside is a lot of people know about them and a lot of people are chasing them. And so, going out and finding really good deals is not always the easiest, but as we grow in our business, our goals have changed over time. Initially, it was like, "How do we find something that's extremely value adds, that's extremely run down, that's very broken, fix it, and profit from that model? And as we've grown, it's changed too. How do we find something that's stabilized, that has a good deck cover, decent cash on cash day one that we can hold for the long term?" So our philosophy on parks has changed over time.

Dan: Okay, so we have two things I want to touch on here. I want to talk about the perfect park itself. And then we're going to talk about that more stabilized kind of maybe on the recent deal. But first, let's touch on the perfect park. So you mentioned the tenants own their houses, are you buying these parks with paved roads? What are some of the physical characteristics of the park that makes it interesting to you?

Mitchell: You know, if a broker called me and said I have the perfect park, like for me today, it'd be, 50 to 100 units, potentially above 100 units, I'd love the big ones. It would be city utilities, city water, and city sewer. Utilities can be a challenge. If you own a well, you're taking on more liability for testing for bacteria and ensuring you have adequate pressure and all those kind of things. Septic systems can be a big cost. And so, having city sewer is a big plus, I think the perfect park would also have paved roads and would have some amenities as well, potentially, like, if they don't, we'd love to put in like a playground, dog park, garden, as we talked about before. And then also qualify, which, well, going back to the tenant owned, all tenant owned is really the bee's knees because the management so much easier, you're not managing, you're not maintaining those homes. And so, on the debt side, it would qualify for agency debt. Because that's where you're going to get that best, that best interest rate, best terms as well as non-recourse.

Dan: On the tenant-owned units, are these usually older units? Is there, is there a strategy on tenant-owned units where I don't know, somebody stops paying and this thing's been there since 1977, you guys clear it and are bringing in a new unit and like sort of lining financing up? What kind of turnover value add to those tenant-owned units? Maybe that is the question.

Mitchell: Yeah, it's, it's not the easiest answer. Honestly, that's one of the big challenges with mobile home parks today is if say I have 1980s or 1990s homes in a park, right? And we lose a home, it's hard to get somebody to pay for a brand new home to locate it next to 1970s, 1980s, and 1990s homes. The community that's maybe, because you're moving in an A class or B class asset, a brand new mobile home into a C class neighborhood. So that is, that's tough. And that's been tough for park owners. In that case, ideally, you would remodel that home. And so, you go in and you say, "Look, we're going to spend $20,000. We're going to seal the roof up. We're going to do, we're going to do the floors. We're going to do them, we're going to do the kitchen." which sounds crazy. But when you look at the lot rent from one home, it's actually worth it, right? So if you're able to bring somebody in, you sell it on an RTO, and they buy it for 20 grand that you put into it, right? And now-

Dan: RTO being?

Mitchell: Rent to own.

Dan: Okay, cool.

Mitchell: Yeah. As long as it's legal in the state, you can do a rent-to-own contract. So they buy it for $20,000 and they put down four, five, right? And now, you can rent that for say $300 or $400 per lot month on lot rent. When you look at that because that lot rent's all capitalized. So when you look at that across annually divided by your cap rate, you're way ahead by remodeling that home. So there's a little bit of logistics there, but like the last thing you want to do is move the home out of the community. Because once that spot is vacant, it's really tough to get new homes in there. It's also tough to get used homes because the used home inventory is disappearing as well. And so, it's kind of this, you see what I mean? So one of our parks in North Carolina, we've located about five or six homes that are used there. And that's worked really well, but that's because we have a really great local contact who's out sort of hunting for these homes. And so, unless you have that, it can be really challenging. Now, where you could pull this off is in a community that's like the homes say are like the year 2000 or greater, and it's a really clean community. Now, you can attract people in for brand new homes to come in, but it's the older communities where it's hard to mix the two.

Dan: Yeah. And it's not like you're going to go to all your tenants and kind of like get them to all to agree to let you like to swap out and do this million dollar cap X to turn it into like...

Mitchell: Oh, we've tried everything. We've tried to get them to paint their homes. We've tried to get, but it's easy behind a desk to try these things, but then you go to the community, you go, "Okay, got it. All right, this isn't going to work." So we've had to be creative over time.

Dan: Okay. All right. So the perfect park now, you were talking about your evolution of mindset from going to this humongous value ad, which I think when I started off and I had no money, that was like the only option. Like there had to be this egregious profit in 18 months or like, it just wasn't feeling like it was worth my time. I probably could get on board and I've bought some buildings that were, they're not quite market rate, but you know, the one I'm thinking of was seven units was fully stabilized and bringing like $10,500 a month, all section eight tenants. And that's the building that's gone without a hiccup in cash flow all the way through the stuff I bought that is value ad has three, four vacancies and tons and tons of repairs. That one was somewhat more stable and it was nice over time. Let me ask you this question, is there one of the last six that you bought that kind of fits the box you described?

Mitchell: So we're getting there. We've actually repositioned a couple of them that we bought very, we bought initially high-value ads that we are moving towards agency debt, which is going to be great within our portfolio. But no, there's nothing that we bought initially that we put non-recourse agency debt on. And so, we're slowly migrating toward that. I think that the philosophy changes over time, because like you said, when you start out with nothing, you have nothing to lose. And so, as you gain and you build your net worth, your priorities change. And it goes from, a high, high, high-value ad to capital preservation and growth, right? And so, I think that's part of that internal change that's happened over the last year or so.

Dan: So none of the six would really count as they were already stabilized assets. This would be like the ideal next one, maybe?

Mitchell: Yeah, this would be the perfect part, the ideal next one. And that's what we're on the hunt for now.

Dan: Yeah. And the reason I ask is kind of a lead-in and sort of along the same lines as what we were talking about before. If the rents continue to go up, even if it's not 5% and 10% or more like we've seen in the last two or three years, and we're playing this slow game and it is producing, I don't know, 5%, 6%, 7% cash on cash, which is not exciting. Everyone on the podcast, I don't know, 5%. I'll put my money in the bank. But fast forward two, three, four years, and now the rents have gone up, but that's above the mortgage payments. So you kind of have all these spreads working in your favor. And now all of a sudden, I don't know what it is, two or three years out. I have a friend who buys nothing but the best retail corners, Main and Main Street, the best shopping centers, Walgreens, Buffalo Wild Wings, and all the best tenants who are paying his rent. And he's like, "I never bought anything that was a value-add." He said, "I always just want the best location, the best tenant, and that's it." And he's like, "In year one, it's like kind of the triple net model." He's like, "Year one, I'm probably making 5% or 6%. I don't care. By year three, four, or five, it's like 35%." And I didn't do the math, and maybe he's talking about the perfect deal and things went in his favor, right? And he's like, "I'm making 35% cash on cash return." with his mortgage pay down and everything as he did the math. I'm like, "I never really figured it out, not even on my own portfolio." And I'm wondering if just that little incremental bump in rent each year from inflation, 2% to 5% in rents, coupled with the mortgage pay down, does it add up to that much? Have you ever done the math on what that might do for you?

Mitchell: Yeah, roughly. We were just looking at a park yesterday that's 125 units, and it's $8 million. And I need to dive in even deeper here. But basically, what's interesting about that is adding $25 to the rent, say next year, adds $1 million to the park. Because it's all going to the bottom line. It doesn't cost me anything to add that rent. And so, maybe we'll do a couple of little value-add projects, low-cost value-add. But the spread for me, that's why we hold long-term. Because people are so short-term-minded, that like your buddy, he goes, look, I'm 5% or 6%. That's usually not exciting to folks. But five or six years later, you bought $10 million in assets in that way. I think he's right. I think you could have spreads that are well into the teens or early 20s. And you're just following this every year, keeping up with the market, making sure your expenses are in line, making sure that you're servicing your customer. And so, I don't know about the 35%. That seemed kind of high to me too. But over time, I think our government brings in X, they spend X plus Y, and they print Y. It's that simple, right? So they keep adding... I was cold calling, and I talked to this lady in Seattle. She owned a park. This is like a 30-second story here. But she bought this thing in 1985 for $300,000. And I said, "Ma'am, my records show you have debt on it for like $16 million. Is that right?" And she goes, "Yeah, that's right." And I'm like, "I don't understand. So since you bought it, you put $16 million in debt on it." She goes, "That's right." I'm like, "Well, so tell me what's going on?" She goes, "Well, every year I raise the rent. And every four or five years, I go back to the bank and I pull out tax-free money all the way up to $16 million." And I'm like, "That is interesting." And this is in Seattle. This is a high-growth market. Obviously, we all know that. So it's not like we can repeat that every time. But take a second and think about 20, 30 years into the future. What's the value of the dollar and how much have you pushed your assets and how much tax-free capital have you pulled out? I put down the phone and I was like, "Wow, that's interesting."

Dan: Yeah. And it's like, you got to get in the game. You got to buy the real estate. And I think at least from my perspective, I went out and bought like eight or 10, 12-something single-family houses in Philadelphia. They're all these middle-of-the-block, little row home streets. I'm going to get lucky in a sense because there's a little gentrification going on in a neighborhood's improvement, but I'm never going to get lucky in those smaller purchases with single-family where a corporate company absolutely has to own the location that my three acres zone commercial is located on a main road, right? So it's like you buy this property and this lightning bolt strike of luck is part of what potentially could happen someday in the future. I would argue or posit that the lady in the lightning bolt hit her. She bought it way back in the day for what? 300 grand, did you say?

Mitchell: Yeah. I mean, it was like super low. It was less than 500 grand.

Dan: Right? And it was like probably not this great, wonderful asset then. And she got super lucky in that the demand for these units just continued to grow at like an extremely fast clip. And she's been able to kind of do that. I'm not advocating to go out and buy everything that's for sale, but you got to get in the game and you got to buy these pieces. And I think it bears out our philosophy of holding for the long-term to kind of put yourself in that position to like wait around and potentially the lightning strikes. And you're not selling it because you're pruning the tree. You're selling it because the offer is something you just can't refuse.

Mitchell: You can't refuse. Yeah. And I think that you could get that lightning strike, but go work the fundamentals on a park or apartment building or a larger asset. Just hold it for 25 years. If it's worth the same as you bought it for and it's paid off, they paid it off. I mean, you could argue that's a lightning bolt as well, right? I'm holding 20 million. It didn't even go up in value. I've collected tax-free money for 25 years and now it's all paid off and I have $10 million. And so real estate is one of those things that's like, "Can you lose? Can you get burned?" Absolutely. You got to be smart. You got to underwrite. You've got to look at your downside. You've got to look at your upside. You got to look at all the pieces and parts. But like if you're able to hold, the holders win in my opinion. Now, people can debate me on that all day and that's okay, but I think holders win. And yes, there are ways to make money by flipping wholesaling, and a lot of other ways. But if you can shovel some cash into holding and hold on for that long-term and be patient like you talked about one of the richest men in the world, Warren Buffett. He talks about holding stocks. He goes, "When I buy a stock, I better hold it for at least 10 years type thing." He's thinking long-term. And so, I think that it's not human to hold because we like the fast payoffs. We like the fast rushes of dopamine, right? But holding is valuable.

Dan: Yeah, 100%. Before we get to our wrap-up section here, Mitchell, is there anything else around mobile home parks that we didn't cover? I just didn't have the foresight to ask about it.

Mitchell: I don't think so. I think we hit it. I love them. I think they're interesting right now, if you're out there looking at them, you'll realize the prices are high. Just like anything right now, we've kind of had a squeeze on interest rates rising faster than cap rates have risen. But overall, I think the asset's really strong.

Dan: Nice. So you mentioned Rich Dad, Poor Dad. You got a couple of books I see behind you there. Are there one or two you would recommend that maybe have something to do with what we talked about today or maybe just the business in general?

Mitchell: Yeah. So one of the books that... Rich Dad, Poor Dad was actually one of the most influential books early on. I also read Multifamily Millions by Dave Lindahl. That one really changed the game for me. Understanding force appreciation, value add, and all of the fundamentals of multifamily and commercial properties above five units. And so that was really influential as well.

Dan: All right. Cool. If you could go back and share the crown jewel of wisdom with yourself as you were getting ready to pull the trigger on that first piece of land way, way back in the beginning, what would that be?

Mitchell: You know what, for me, I think I would have said, "Look, really dive in and start understanding the difference between speculation and investing." And for me, it was all blurred. The lines were blurred. I thought that buying a piece of property at value, holding it, and hoping the market would increase was investing. And for me, that was kind of a form of going to the casino versus investing. And that's what happened in 2008. Look, I mean, the whole country was playing the slots, right? But I think investing is different. Investing is looking at your upside, looking at your downside, understanding your cash on cash and your debt service coverage ratio, and the fundamental sort of key metrics to where you can make an educated decision. And that's a different game, in my opinion, than playing the speculation game. So I would have told my 19-year-old Mitchell to slow down, dive into a couple more books and get an investing game versus a speculation game.

Dan: It's ironic. I kind of learned my speculation lesson, I think. I don't know if it was three, four years ago or something, but I had extra cash and I'm buying into the stock market, following these nonsensical recommendations and buying in, buying in. I got completely out of that. And looking back, that was speculation versus investing. And the thing that's funny, Mitchell, the action item is the same. I have to pull the trigger and buy that piece of land. I have to pull the trigger and wire off the money and buy the stocks. I have to pull the trigger and sign on the dotted line for the mortgage. And what I feel like internally is I hope I'm investing in my multifamily apartment deals to use the example. I do the underwriting to the best of my ability. I thought I was doing that in the stock market, right? I thought I was doing some reading and I just didn't know maybe the metrics I should have paid attention to. But when it comes time for me to wire the money on my next purchase, it feels like speculation at that moment. It's like, "Here's the moment of risk. I'm firing off this wire. I hope the wiring instructions are right."

Mitchell: That's the first step. Yeah.

Dan: Yeah. Simple as that. It's a speculation. I'm like, "Do I even have the right wiring instructions? Let alone. Okay, now I finally got the deed. Okay, they were actually the deed holder. It wasn't somebody that just pulled some elaborate con game on me and this [inaudible]" So it's funny that investing and speculation have the same action items. Investing is this higher level of intelligent acquisition of knowledge and wisdom of people who came before you and underwriting of the deal. And I guess we don't know until the end or five years out when our investment bears out or whether we did actually just speculate again. But certainly, the first one, looking back, we all could feel like we were speculating.

Mitchell: For sure. And I think the lines are always a little bit blurred. You were off funds and boy, yeah, I feel the same way. Because there's risk involved. The second it leaves your bank account, you're signing up for risk. And so, I think balancing that risk, one of the things we subscribe to is really focusing on an asymmetric risk. How do I take on a little bit of risk for a potential big upside versus a lot of risk for a potential big downside? So that's been a really key player in our investment philosophy as well. It's like, "Hey, we're wiring over $100,000." Are we wiring this over to make $100,000? Or are we wiring over for a potential upside of a million dollars? And that's a way different, one's asymmetric, one's symmetric. And so, we pay attention to that as well. But anytime it goes out to the bank account, you're risking it. What I think people don't realize, the invisible tax is inflation. So it's sitting in your bank account, $100,000. Well, that's also going down by percent depending on the year. We've seen it pretty high in the last couple of years. And so, by leaving it in your bank account, you're also accepting some sort of risk. So unfortunately, if you're in this system, you are accepting risk no matter where your money sits. It's just how you get into a vehicle that has less risk and greater upside.

Dan: Man, we could go on all day. Mitchell, what is the kindest thing anyone has ever done for you?

Mitchell: Well, that's a really good question. I don't know if there's any one pivotal moment or one thing, but I look back on my life and I get chills thinking about it. My mom is my superhero. I mean, really, she is the kindest woman. Been there for me every step of the way. I couldn't do this without her. I couldn't be who I am without her. And the woman I married, Hannah, today is the same thing. And so, I'm surrounded by kindness, man. It's a huge part of my life and what holds me up and builds me up. So not a single moment, I'd say I'm one of the lucky ones. It's [inaudible].

Dan: Nice. Fantastic. So we didn't have time to really touch on it. Maybe you could touch on the zero to 100 tribe now and perhaps give people a direction on where they might go to find out a little bit more about you and the community.

Mitchell: Yeah, of course. Thank you. Thank you for asking. So alongside our portfolio, this sort of happened organically. It's like people are calling me, texting me, "Hey, can we get coffee? Can we sit down if we talk more about real estate?" And what I realized is I'm terrible about getting back and text messages and phone calls. And so, in the beginning, it just started out as this way of communicating one to many. And so, we launched this community online. And since then, it's grown into an entirely different sort of setting and community. And so, zero to 100 tribe, what we've really built it out to be is how do we help people get from zero literally to 100 units and show them what we did, show them the breakthroughs we had, show them the big aha moments, give them tools like pro forma analysis tools, teach them things like forced appreciation, how to sort of take a property through a life cycle, refinance, pull cash out. We do a lot of deal analysis on mobile home parks and RV parks and hotels, all the stuff that we've done. And so this community is built around this idea like, how do we take people that are really hungry and motivated and elevate them via knowledge first and encourage them to go take responsible action. So today, we're about 750 members. We're having a ton of fun growing that. And to learn more about that, go to zeroto100tribe.com. And so, you can kind of go join for free and come say hi and hang out.

Dan: Nice. And add zero to like "to" and then the number 100 tribe.com, right?

Mitchell: That's right. Yeah.

Dan: Okay, cool. Good stuff. Mitchell, I had a blast. I really appreciate you giving of your time and coming on the show. Thank you.

Mitchell: Thank you so much, Dan. I really appreciate it. Love your podcast and love what you're doing. So I appreciate it.

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