

REI NETWORK RK

Episode: 095

State of the REI Market - How to Recession Proof Your Business

Hosted by: Gavin Timms & Joe McCall

Gavin: Hey guys. Welcome to the REI network podcast with me, Gavin Timms.

Joe: Hey. What's up, guys? Joe McCall. Gavin Timms. How you doing?

Gavin: How you doing, Joe? How's it going?

Joe: Awesome. Really, really good. Hey, listen, everybody's talking about this recession, right? Everybody is freaking out, or some people are burying their head in the sand. Or some people are just like, yeah, it's nothin. Not a big deal right now. But I'm telling you this, guys, listen and pay attention because this is so important here. We're seeing. I've seen, I got started in real estate in 2006. All right. So when everything was screaming hot and I been following and I'm friends with a lot of really successful investors that have been in the market since the nineties. All right. And back in 2000, when the market was everybody was kind of freaking out also. These guys were not. These guys that I'm talking about and I'm thinking about right now, they're like, you know what? Interest rates are still really low. The economy is strong. The government's going to pour a bunch of money into the market and the economy. And there's still a huge demand for housing and a very low supply. The housing market's going to be fine. That was 2000, the beginning of it, right? Yeah. So not a big deal. And in fact, they were right. Nothing big happened. But now those same guys that have a lot more experience than you or I do are right now, they're not panicking, but they're saying we are looking at 2007 & 08 all over again. Right now the recession is coming, but we don't have to panic. We don't have to freak out. We just need to be prepared. And that's what Gavin and I want to talk about in this little podcast video right now, because we're going to show you guys how to get prepared and we have a free resource for you. It's absolutely free, no strings attached if you just go to REIProof.com. We have this PDF report that we're going to give to you for absolutely free. But so Gavin, what have you been hearing? What what's kind of going on in your end of the world in Georgia and the investors that you hang out with out there?

Gavin: Yeah. You know, I think, again, it's a mixed it's a mixed bag, as you just said. Right. And I'm sorry, I was laughing. If you watch it on YouTube. Yeah, Joe stole my cup. I left it in his house.

Joe: Oh, it's not your cup. You didn't leave it at my house. It's my cup. And one of my students gave it to me. It's called, if you guys can see this, it says best coach ever in the bottom of the mug says number one. All right. I just like bringing this whenever I have Gavin on.

Gavin: And so when we yeah so basically everyone has a, you know, a various opinions on this. And I think looking back basically when even through the pandemic, which was our first panic stage in the market for a long time and people are freaking out and you can't do that, right? You have to look at things with logic. You have to kind of take a bird's eye view on the business and what's going on, because if you've got emotionally involved, emotions can be great and they can be really bad. And I watched a lot of people, as you said, the experienced ones was not panicking and and the ones that are the newer probably even in my kind of you know eight years right in the past eight years, like oh, we're going to shut everything off. We've got to we've got to stop marketing. We got to do this. We got to cut expenses. And it's just like, just relax. That just you might have to not do them things. You might just have to pivot in the way that you're doing it, right. And then the way that I personally say and I just did an episode talking about this is that it's very simple that as the market moves, let's just say for wholesale, right? You have to if the buyers are paying less for properties, you have to get it less from the seller to keep that spread. Yeah, if the buyers are paying more, you can give the seller more then you can still keep that spread. And that's as simple as a wholesale deal is.

Gavin: And then you go into creative finance, right? Lease options, owner finance, things like that, maybe sub tos and you need to be getting ready and prepared for these creative deals because lease options are going to be coming back gangbusters when this market starts to go, if it goes when it goes. And that's the cool thing, Joe, you invest with today, right? So we don't need to go into oh, we're going to get ready in six months and start investing then. No, you invest today, then you watch, watch it. And the cool thing is, is that as you're doing your lead gen is you're having your conversations, you're taking good notes from the sellers. All you're going to be doing is going back and following up with them when this market goes and offering a different strategy to see where their heads at now, because as the circumstances change, it will change for the seller also. So what the seller tells me today, in six months, if we have a downturn, what's going to happen is when I call the seller back, he's not going to have the same opinion as he did six months ago. He's going to be like, Well, now it's not worth as much. Now what are we going to do? Maybe that's when we can then go, Well, if you're willing to wait five years, ten years. Can you notify us at least of things like that. And get that creative stuff going as well.

Joe: Creative financing is going to be really, really important. Listen, the market is shifting and it already has in many markets. Some of the highest, just looking at this stat this morning, some of the hottest markets where the hedge funds have been investing in Atlanta, Jacksonville, parts of Florida, Las Vegas, parts of Phoenix, they are seeing the lowest rent increases. In other words, over the last six months or so, rent a all across the country, rents, rents have not increased at all. And it's making the institutional investors really, really nervous because they were speculating on price depreciation and rent growth. And we are starting to see for the first time in a long time, rent growth actually slowing down and stagnating. And in some markets, some of the biggest markets, it's not increasing at all. And this is raising a lot of alarm bells. These guys in the suits in New York, they can with just a quick phone call or an email, can shut off all of the billions of dollars that are coming into the markets today, buying houses, all these cash offers. Right. So that's a significant threat to this economy because in some of the markets that I know in Saint Louis and parts of it, oh, a third to a half of the homes that are being sold in some zip codes are being sold to institutional investors. And if they back out, which could happen and may not, who knows? Right. But if they do back out because the economy is getting soft, we feel like we're going into recession. Inflation is high, interest rates are high. Like we're going to see some major, major shifts. It can't keep on going like this forever, but we are not freaked out. We're not alarmed. We're not trying

to push the panic button and say, hey, listen, but you know, this book that we it's it's more it's not a book. It's a PDF report that we wrote is going to help you navigate the changes that are coming, the changes that are already here. You can get it for free. It's a PDF at REIProof.com.

Joe: But listen, I mean if you look at the numbers, inflation is at a 40 year high right now and average prices are up 8 to 9% as from this month as they were a year ago. In a normal market, we're at two or 3% inflation, so we're seeing double the inflation that we normally see right now nationwide. Just looking at gas, it's 40% higher today than it was a year ago. We're seeing parts of California, L.A. and San Francisco where gas is at 7.25 a gallon. Right now in St Louis, it's about 4.75 a gallon. I'm not sure where you are. The stock market is down, it's down 12% for the year. The crypto market, I mean, look at what's happened to Bitcoin, right? It's lost half of its value in the last six months. Now it's normal for that stuff to fluctuate and go up and down. Right. But interest rates are going up. Interest rates, they're still relatively low from a historical standpoint, but they're at a 12 year high. Interest rates have gone up over 100% in the last year and a half, from a low of 2.65 to about 5.3, 5.4 right now. Right. That means an average house payment for an average investor, a homeowner has gone up over \$800 a month. \$800 a month. That's nothing to sneeze at. And if you look at pending home sales starting to go down, inventory starting to go up, more homes are coming on the market and the days on market are also going up. I'm seeing this myself for my own eyes and I'm looking into markets, looking at Redfin and you can see more properties going from active, depending back to active and pending back to active again. And homes are staying on the market longer.

Joe: Now, you could argue, well, we're just coming back into a more normal market and maybe you're right. But the point is that things are shifting, right? We're starting to see more price cuts than we have seen in a long time from sellers. We've had six straight months as we're recording this now, of sales decline. And the and the pace of sales is the slowest that it's been in over ten years. Now, I'm not pulling these numbers out of my butt. These are numbers that I'm finding online as I do this research and study. Right. We're getting far less competition from buyers. We did a mastermind with one of our some of our students last week at Busch Stadium. It was so awesome. If you're working with us as a client, every quarter we do a mastermind, get together with our coaching students either in Tampa, Florida or Saint Louis, Missouri. We went to Busch Stadium, actually, it was so cool. But one of our clients is doing an average \$100,000 a month right now in Saint Louis. Right. He's killing it, wholesaling deals, just wholesaling, doing a little bit of fixing flip. Anyway, he pulls a list every month of people that are 30, 60, 90 days late on their mortgages called the 30, 60, 90 day list. And it's a very hard list to get, but he's been getting it since 2004, so he's kind of been grandfathered in. But he has been seeing the number of delinquencies on his list that he pulls double. So we're seeing and I'm reading this in the news, mortgage delinquencies are rising, you know, in a few months, whether you agree with this or not, the government is going to start requiring, it's been two and a half years, in August, the government's going to start requiring student loan borrowers to start making payments on their student loans. I mean, like I have student loans. I'm still paying them. I haven't paying them. I'm paying more than I normally then I should, right? But like guys, people have not been making them student loan payments for the last two and a half years. And pretty soon the government's going to start requiring that they start making payments.

Joe: Well, you look at the market, it's like we're getting mixed signals at the same time, right? Because prices are still going up. Rents are still going up in some markets, not the major markets the hedge funds

are in. So it looks like we're getting mixed signals. What's going on? Well, that's the great thing about real estate investing, guys, is because it's not like the stock market when we're investing in hard assets like real estate, it doesn't change on a dime. It's not like the stock market or thank God is not like the crypto currency market where it just all of a sudden overnight it falls 20% or whatever. Right. Housing markets move slower and it gives us as investors, time to adjust. And here's the important thing that we talk about in this book that you can get for free. Again, it's not a book. It's a PDF or thank you. I got it. I know what you're thinking. It's another book, but it's 100% free. You can get it at REIProof.com.

Joe: But one of the things we talk about in there is wealth doesn't disappear. It transfers. And it's so important because that helps you not to panic when the market shifts so that you're going to be prepared for it. And you get prepared for it by listening to podcasts and videos like this, reading books, staying current, looking and listening to what other experts are seeing and weighing. Because you're going to get different opinions, right? But wealth doesn't disappear. It just transfers. It may go from crypto to the stock market. It may go from the stock market to hard assets like real estate, maybe treasuries and whatever. Right. But wealth doesn't disappear. And we as investors, more specifically as wholesalers, this is why wholesaling is so important. This is why it's so important to understand creative real estate is we just follow the demand. We follow the demand. If the market shifts, it does so slowly, relatively speaking, right in the housing market. And so as real estate investors, we need to be prepared and watch it. There's the book that I read that I a long time ago. I really highly recommend everybody look at who moves my cheese. You should get that book and read it. Who moved my cheese? And it's all about paying attention to where the cheese is moving to. It doesn't disappear, it just moves. And we as investors need to be prepared for that. So understanding and watching the market and seeing what works and what doesn't and as wholesalers, Gavin, maybe you can talk about this like we as wholesalers, we're not buying properties, taking on a ton of debt. We would not buy a property that somebody else that we wouldn't buy a property with, with only one exit strategy. Right. We would we wouldn't, we wouldn't wholesale a deal that we couldn't buy. We wouldn't buy a deal we wouldn't wholesale. You talked about that at the mastermind.

Gavin: Yeah, yeah. Yes. Yeah. So basically, you know, we have a life you're going to fix and flip, for instance, right? People get this backwards. I hear all the time. They will get a property in the contract for a wholesale deal. They go to the buyers. The buyers don't want it, so they go, Well, we'll just buy it then because they don't want it. It's like, No, no, no, you only wholesale. Okay, so you only buy what you can wholesale because it's all you made money when you buy, not when you sell. And I talk from experience from this we I got into six, seven flips all in one go at the back end of last year. Okay. We overleveraged on time and resources and people and and there was one deal that we should have made 60, 70,000 and we only ended up coming out with 22,000. And if I wouldn't have bought that right, cause I could have wholesale that deal in 30 minutes for \$25,000. Six months later I make 22,000. Right so we worked that one out. But it worked when everything went possibly wrong, we still won and it was a big learning experience because we bought right. And and that's what you've got to do in this market. So you only buy, you only buy what you can wholesale. If you can't wholesale it, you're too high, you do not buy it. You got to renegotiate. You've got to get that contract lower. And if you stand by these things, you can't go wrong. And the buyers are going to tell you, as Joe said, not only where are they buying, but what are they paying. They're going to tell you everything that you need to know about this market.

Gavin: If you're networking, you're keeping in, your're staying relevant with them and you're not just going to go off one. I'm going to call Joe McCall that just decided the markets crashed. He's going to pay no money. I want to talk to all of them. And if all of them are saying the same thing and they're the buys I have, then I need to go lower. Right. And I'm channeling everything that the buyer tells me in terms of the sales cycle. I'm using that in my negotiation with the seller. Yeah. So I'm not coming out with all of this on in the sales. I'm just going on what Joe's told me, the interest rates are up, things sitting on the market, the economy's doing this and whatever Joe I'm learning from Joe the buyer and then going, Hey Mr. Seller, we can't pay this because of this, this, this, this. And I'm just literally using what the buyers are telling me. And I'm using that in the sale cycle to get with the seller to get the contract lower to still make the deal work. And if you do this and then sprinkle in and learn the position in on how to then bring in lease options, owner finance, sub tos where you can say, well, Mr. Seller, if I could get you more money, would you be willing to give it me over terms that work for both of us where I could make some monthly payments to you?

Joe: This is going to be more important than ever. But I think there's two main keys and this is again what we talk about in this PDF at REIProof.com for free. Guys, I'm telling you, no strings attached. We're not going to try to upsell you into something else. REIProof.com. It's a PDF report. You can read it in an hour. But one of the things we talk about is there's two main things that you need to do to be successful in this market. Number one, you have to understand what your buyers want because there will always be buyers, right? There's been a lot of money sitting on the side for years waiting to come back into the market after the prices come down, not chasing stupid money like these big hedge funds are doing, but there's a lot of money sitting on the side waiting for prices to come down. And even in the last recession that we had in oh eight and nine and all the way to 2012, right, there were still people buying houses and there were still wholesalers that were successfully doing deals and creative investors like me. And we'll talk about that next. But we were just looking at, okay, what do the buyers want? You can go. It's like public records. It's available. See what the buyers are buying, where they're buying it, what prices they're buying and who they are. And then go and offer that to sellers. You're going to have to offer less. But here's where it's really important, because there's a 6 to 12 month gap. It's called a gap where sellers the market maybe is fallen, but sellers don't realize it yet. And sometimes it takes 6 to 12 months for the sellers to realize, oh, shoot, the market is not where I thought it was. I can't sell my house for what I thought I could. And then they start to panic. We already know for 6 to 8 months, man is not going anywhere. It's coming down. They don't know that yet.

Joe: So this is where number two, the number two thing you need to be understanding is creative finance. Creative financing is simply another way, another, other options that you can give to the seller. If they say no to your cash offer, you can then offer them subject to a financing or lease option or something like that. And in this PDF again you can get it for free. And we talk about it. We updated the, we updated the picture on it too by the way to show a really cool picture of me and Gavin golfing, which we love to do whenever we're hanging out. So. Anyway. You can put that on your wall when you get the PDF, just print it and put it on. I'm just kidding. But at REIProof.com, we talk about the different offers that you can make to sellers and how to make them. We talk about how to make a lease option or a owner financing or subject to offer, and so these are really important things to understand. And not saying that we you have to give the sellers all of these offers at once. We recommend find out what their needs are. And this is more important than ever. If you want to succeed in this coming market here, listen to the sellers, find out what they really, really need. And then the other thing that's important, we talk about this a lot in the book is the importance of follow up. Because there's that gap

with sellers where they think the market isn't, where it actually is and the time it takes, if you want to succeed, the most successful investors that will succeed in this market are the ones that do the most follow up. You have to do follow up. It's going to be more important than ever because sellers, they don't read the news and study the markets like you and I do. Right. They're more like, yeah, they're busy with their lives. All right. I'm going to my neighbor sold their house six months ago for 450,000. I'm going to list mine for 460. And then they realize three months later, six months later, no showings, no offers, price drop. They're starting to panic because now they're coming out of the most popular homebuying season. They're coming in the fall and they're like freaking out. But because you've been following up with them, because now you have other offers that you can give to them, they may be, they're going to be thinking, Well, man, this guy must really want my house because he's been following up with me so much. Right? So that is important. You've got to as we talk about these rules in this book, this PDF report, we talk about these like you've got to have a marketing plan, right? You've got to talk to at least five sellers a day. You have to make offers to every seller you talk to, make multiple offers, every seller you talk to, and you got to follow up every 30 days.

Joe: But there's, there's really simple tools that you can do use that can do all of that for you. And these are things that you've got to think about you need. And Gavin and I are coming up with a real book later called Brilliant at the Basics. We're gonna be talking about these things, right? But in a lot more detail. But you've got to be really good at these simple, basic things to succeed because the recession is coming and it may already be here, who knows? But things are changing and you need to be willing to change with it, right?

Gavin: Yeah, 100%. Just a little back up, you know, when the pandemic hit, right? I gave an instruction to all our clients when we went into lockdown. I don't know what the date was. Like March something, right? And everything lockdown. We've gone into a month. Lockdown three weeks. Everyone's panicking. No one knows what's happening. The world's gone crazy. And I gave an instruction. It does not matter if you talk to a seller last week, you follow up with everybody, right? You follow with everyone because whatever conversation you had yesterday, now we're in a lockdown and we don't know what's going to happen. We don't know if they've got a job. Are they still being paid? But you have no idea. So all the conversations you've had for the last three, six months is now this is a new game. These are the leads of gold right now. You've got to hit them all. You've got to find out what their situation, how their situation has changed from the last time, find out what the core problem is and solve it. And if you can solve it through a creative deal or a cash deal, you're going to make a lot of money. And that's what we did. That's how we made a lot of money. My biggest year was 2020 in real estate because of just making little moves, pivoting quickly and again, not panicking. And I'm not going to lie, Joe. We run a lean business as well. So my overhead is not like a lot in the industry. So I'm not going to lie my if my overhead was 200, 400 grand a month, would I not have been panicking? Maybe. No way. Yeah, you know, but it's not right. I run a lean business, very profitable, high profit margins. I don't need to do 6 million a year and only put five hundred grand in my pocket. I want to go and do a million a year. Import 500 in my pocket. Right.

Joe: Yeah, that's so important. There's there's a lot of investors that are going to get crushed because their overhead is too high. They have too much debt. You know, they're being forced to refinance. And the interest rates are three or 4% higher, three or four percentage points higher than what it was before. It wipes out any cash flow. So then people are getting a little nervous out there. Right. So this

book, this book thing. This PDF, to be called the roadmap REIProof.com, I'm going to list do some things that we talked about in this PDF and I went and studied the most successful companies that survived the Great Depression in the thirties and forties and in the recession back in oh eight and oh nine. We talked we looked at the five things that those most successful companies did. We we talked about in this PDF What you can do right now if maybe you're one of those guys or gals that struggling financially. And we talked about the only thing that you should be focusing on right now just to ensure the most success. There's really only one thing that you have to be focusing on that three types of offers that you must be making with every deal. Three little known ways to quickly and easily come up with great offers. So you're never stuck with just a lowball one trick pony cash offer again, right? We talked about secrets to exponential growth, real life example deals. Case studies of students. We just had a client yesterday that messaged me, Gavin, Nathan. He lives in Tennessee and he just closed another wholesale deal, the \$20,000 assignment. And when this in this uncertainty going on right now, he closed a duplex in Dallas outside of his market, made a \$21,000 wholesale fee, and he just did an assignment on it on a property in Indianapolis for \$7500 fee. That's \$48,500 this month in assignment fees. So you can and should be still making money even in this one kind of uncertainty going on. Right.

Joe: We talk about finding quality buyers, how to find the right buyers who are buying properties now. We talk about follow up, the kind of follow up that you can do that gets done for you in spite of you. And when we talk about favorite tools and we talk about next steps towards your real financial freedom. Guys, there's been, if you look at the number of companies that were out of the last recession, that started out of the last recession that are now multibillion dollar companies, it'll blow you away. I don't remember the numbers, the names that we talk about in in the book here, PDF. Like companies like Uber, Airbnb, I got it in here somewhere. But there were there were a lot of really huge companies that came out of recession. I think Facebook and Google came out of the dot com bubble recession. Back then or shortly after that. Right. So anyway, it's important that you get some education and you start filling up your mind with this positive action steps, things that you can start doing and you can get this PDF Road Map for free, no strings attached at REIProof.com, REIProof.com. All right, check it out. We got to wrap it up. Gavin, we're late for a call. I just realized.

Gavin: Yeah, so. All right, guys.

Joe: Appreciate you all. We're going to...

Gavin: Appreciate you guys.

Joe: We're going to do more videos this week and then talking about this because it's so important and critical that you understand it. Go to REIProof.com to get this PDF report for absolutely free and we'll see you guys later. Thanks a lot.

Gavin: Thanks.