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**Lee:** Revenue sorts out a lot of problems. You can have amount of problems in the background, but you can get them down with revenue. So, that's what I want to say everybody, power doesn't really matter. Like you can plan out the rest of 2020, but it really doesn't mean anything if you don't have any money today. So, I'm trying to get everyone to shorten their timeframe and what money you're going to make this week. What are you going to do this week to put revenue in your bank account?

**Narrator:** You're listening to the Millionaires Unveiled Podcast, where you'll hear the stories and interviews of everyday millionaires. We'll unveil their decisions, their strategies, and their current portfolio allocation. Now to your hosts, Clark Sheffield, and Jace Mattinson

**Clark:** Alrighty, welcome back to another episode of The Millionaire's Unveiled podcast. This is episode number 133. Jace what's going on? How are you?

**Jace:**Great. How you doing Clark?

**Clark:**Good. You guys are starting to open up in Texas.

**Jace:**Yeah, a little bit more open up. I want to actually try to book a hair appointment this morning, my hair is getting so long. And in fact, it's funny that I'm doing a couple interviews recently and, we're doing these over FaceTime and whatnot for a little operation that we're opening up and its so funny people are like, man, has anybody ever told you look like Captain America? Or Chris Evans, I swear it. The only time it ever comes out is when my hair is like, super long. People think that I look like Chris Evans. But anyway, I got on there to get a haircut this morning. And literally, they opened up at 8 am, I go to sport clips, and in the app it was showing me that the wait was already over two hours that they weren't even taking online bookings. And it's been like that all day long. So, we're opening up, hair salons open up, now salons open up today. Next week, they'll be a few more things. And hopefully we can continue to curb the spread and kind of get back to normal but I'm in the boat. I definitely need a haircut.

**Clark:** You have to have your wife give you a haircut man. My wife gave me a haircut a week ago. First haircut she's ever given, and I mean the question is will it be the last, will there be a second? I think it's a yes, it was good. She really did a good job.

**Jace:** That's good for you man, I don't know if my wife would do such a god job.

**Clark:** Is it that you don't trust her to give you a haircut?

**Jace:** No, it's not about me, it's about her trusting herself with scissors on the top and kind of trying to blend below, and--

**Clark:** Oh, she'll be good, just clip it on the side. But you got it. Yeah, just fade it, she'll be good. I'll send her a text after this telling her to do it and save you a few bucks there. I read an article--

**Jace:**It's not me, she doesn't want me to cut my hair. She wants me to keep growing it out, she likes it. She thinks I look better with it.

**Clark:**Because she thinks are going bald. And so, she's like preserving it while it lasts?

**Jace:**No, it's not even that I'm going bald. It's only receding a little bit. She just loves to see me with longer hair.

**Clark:**I read an article this week, I read about a couple who they didn't fire. But they retired, I don't know how much money they had. I think they were millionaires and living well off. And this was in the Wall Street Journal, I think last week, and they started just kind of moving around and their place was like, hey, we're going to try a year in this place, a year in that place and they're like, let's just keep trying, let's just keep living in different countries until we figure out where we want to live. Anyway, they sell it in Bali. And you know Bali is always the place for us, some town somewhere in Bali through like, but anyway, this article was all about that, and like retiring, and then what they did, and then where they were going to go from there, and then how Corona is impacted. So, it's pretty interesting though, the traveling thing. You guys think you'll travel a lot after, when you retire?

**Jace:** Yeah, I mean, I think we will. It's hard to say, there's a couple things that we've discussed my wife and I have kind of what we want to do, because I don't want to get to the point where I'm like 60,65 and then just go haywire for two years, get totally burned out and then say we're done traveling in our 60s. So, what we want to do and what we've discussed, and we've talked about this a little bit, is doing some sort of, six to eight weeks, move to Texas during the summer, especially living in Texas. It's a nice time to kind of get away, it's a little bit hot here, during the July August month. So, leaving, exploring, we'll probably stay domestic, not really moving internationally. But once our kids get a little bit older, and try to time that around sports and other things and kind of go for six, eight weeks and do that for many, many years while they're going through their adolescent years and teen years, and then by the time, I figure when my youngest graduates high school, my wife and I will be probably in our mid to late 50s. And at that point, then we can reevaluate if that's something we want to continue, or maybe we do want to go travel a little bit more as we get older, but I think by then, it'll be hopefully we will have gone to a lot of places we wanted to go to, and don't have this big urge to take two years off and just go or something, but who knows, I don't know, you know.

**Clark:**Yes, you can spend all your time in one place. And I'm similar to you guys staying in one place sounds more appealing than just going, going.

**Jace:** Yeah.

**Clark:** And really getting a feel for the area and exploring everything and kind of living there, less of like a two or three week trip where you kind of feel like you have to run around and see everything real quick before you lose it, you know, or before you have to go home. So anyway, just an interesting story read. So, just to sum up last week, we had Sam from financial samurai. He retired from a career in finance in 2012. And I think he worked for about 13 years, so he had a net worth of 3 million, by 80 k in passive income when retired, now has about 250,000 or over 200 grands in passive income annually, he talks about living in a high cost of living area. He shares his investment allocation and experience in investing in crowdfunded real estate with some good and bad experiences. On today's show, we have Lee Kearney. He's a single-family home investor, had a really interesting discussion with him. He started before 2008 in the early 2000s and ended up losing everything in 2008 and 2009.

And now he has since built it up and is in a good place now, but he talks about kind of some of the mistakes he made, including being over levered, he talks about single family flips, what's most important, where to spend the money, buying wholesale, buying from auctions and some of the horror stories that he's had in his real estate investing. It's a really interesting story with Lee. We'd love to hear your financial story and have you on the show. So, if you're a millionaire or close to becoming a millionaire, feel free to reach out to us, we'd love to have you on the show. Our email is millionairesunveiled@gmail.com. Also, if you're interested in some multifamily syndication, investment opportunities, feel free to reach out. We feel like now it's kind of a good time to buy and there's a couple opportunities forthcoming. So again, our email is millionairesunveiled@gmail.com, feel free to reach out if you're interested and we'll jump on a call and most of those are for accredited investors. So, thanks again for listening. We wish everybody the best; we wish you and your family safe and everything's going well though. So, thanks for listening in to the podcast. Hopefully we can be a little bright spot in your week. And without any further delay, please help me welcome Lee to the show.

Alrighty, Lee, welcome to the show. Everybody, today we have Lee Kearney, Lee thanks for joining us. Really appreciate it. Tell us a little bit about yourself.

**Lee:** Sure.  did real estate about 16 years, bought and sold over 7500 homes, that's over half a billion in real estate. And I've done everything from wholesaling, all the way from assignments, to buying and then wholesaling, rehabbing, buying notes, buying the foreclosure auctions, buying it online auctions, buying from the MLS, just foreclosing on people, I've really done all aspects of real estate. So, I've learned a lot over the last 16 years and a lot of what not to do, as well as what to do. And experience at times like this, you know, at the time of recording this, there's a lot going on. So, I really try to lean on my experience and look at okay, when the market became choppy and uncertain last cycle, what did I do, and I'm trying to go back to things that I know work instead of trying to reinvent the wheel.

**Clark:** Awesome. So, just so everybody knows here, we're recording this May 8, so we'll probably release it shortly, but it was right in the middle of all this COVID-19 stuff. So, let me just jump back with you Lee for your story. So, 7500 homes, buying, wholesaling, rehabbing auctions, foreclosures, all this stuff. How did this start? How old were you? When did this kind of first started? Where did you get the idea that this is what you wanted to do?

**Lee:**I fell into it and it's funny my father, I remember he told me in my teenage years, you can make all the plans in the world, you're going to end up falling into something. And I remember that's the way he described it to me. It's just not usually what you planned; you just end up going a certain direction. So, my direction started 2003. I was actually working back in Ireland, I'd gone to college in the States, moved back in 2002. Back to Ireland, I thought I was going to live there. Work for my father industrial sales. I think I'd have a 30 grand plus commission job. This is in euros, bought a condo, was really happy with me, it was a penthouse. I thought I was amazing, mid 20s. And sure enough, I got broken into. So, I felt unsafe in my own home for the right in the market. And the strange part is I listed, I think 30, 40,000 more than that, I got my asking price.

And so, within about three to four months of purchasing property I didn't want and putting it right back in the market, I made money. So, that really got the screws turning in my head, I'm looking at a free place that I lived, I'm looking at more money than my paycheck. And I'm trying to figure out the world at this point, like this money was just too easy. And so, I was bit by the bug right there and then, and I decided I wanted to do real estate. And at the time, I was going back to college to finish my master's. So, I thought it'd be a great way because I couldn't have a job in the States, but there was nothing preventing me from buying properties. So, I decided to buy a property, and that's how I make income while I was in college. So, I found a guy at church who did real estate and I've been big on this. I always ask people questions. And even at this stage, I never pretend like I'm the smartest guy in the room. And sometimes I may be referred to at that, but I found I can always pick up a nugget from another operator.

So, I found a guy who did rehab, he rehabbed homes and I said, how can I help you? And he said, well, you can, you know, we can pick up supplies, I'll show you my rehabs. And he was really nice, he took me around his jobs. And I got a real good understanding of what he bought, why he bought it, how much money he put into it, what he fixed up, what he didn't fix up. For those people who are listening, rehabbing is about choices. I see so many people gutting every single house and putting everything new. Anyone can do that by the way, if you hire a contractor, you don't need to be a master rehabber. You can just hire a GC saying gut the house and put it back together. But the rehab professional understands it's about putting the least amount of money for the most amount of profit. That's the business we're in, it's not providing the nicest house on the block every single time because sometimes the market doesn't want that. You can have a Rolls Royce sitting in a neighborhood of Fords, doesn't make sense because now there's a ceiling in that neighborhood and you've just over improved the property.

So, I was really happy to get that lesson on rehabbing because it was drilled into my head, do this, don't do this, curb appeal, things that you wouldn't know unless someone taught you that skill set. So, I took his model and I hired an agent and it took me about three months. So, I would go to school during the day, and was driving properties in the afternoon. I finally found a probate, he told me to buy a probate, I didn't even know what a probate was by the way. So, I found out that someone had died and that's why the state was liquidating it. So, we bought the property around 130, decided to move into it and save more money, didn't have to pay for my college dorm, ends up that was a disastrous idea because I was moving room to room as I was rehabbing, but stumbled through the project, did exactly what I was told. Put the signs out like I was told on a Saturday morning early and sure enough 50 cars pulled up. I remember the buyer Jose Chalet said, I want to buy the house. I put it under contract, even up to the day of closing he found out some of the died because there was a disclosure in California, we have to disclose that someone died, and he said, Lee, you know, I'm thinking but not buying the house as it goes free. And I said, absolutely it goes free. And sure enough, he signed the docs. And that deal was posted outside my office because that was the first deal where I bought added value, sold and made a profit. And that sits right outside my office as a reminder of where I started in real estate, did the same thing again, but then moved back to Florida and I tried to remotely rehab, don't do that. I hired a friend to do the job, don't do that. And somehow stumbled through that project. And so, now I'm back in Tampa in 2005, asked a bunch of questions, found out foreclosure auctions is where the real money was. So, I showed up at the auction, realized it was a bunch of poker players, mixed with used car salespeople all in one room.

I mean, it was a crazy dynamic. There were numbers being auctioned, people hands were flying, people getting dirty looks, stuff was getting sold, money was changing hands with the clerk. And so, this was wild. So, I actually showed up literally for two weeks straight and tried to figure out what the heck is going on here. So, a lady came up to me, and goes, I've seen you come here, do you want to buy my book? And I'm like sure well, what's your book? And she's like we've turned the case numbers into addresses, and we give you all the details on the foreclosure. So, I was like, heck, yeah, so got the book. Now I had a game plan. I go drive the properties in the morning, and then bid in the afternoon. And within a few months, I became a formidable player there at the auction because I'd show up in old clothes, sit at the back, and just, my property came up, you know, I was all over it. And so, people didn't know quite what to make of me. You've transformed if you go forward to 2006. I was one of the biggest buyers at the auction. So, it was amazing how the table's turned on that.

And so, I was rehabbing and buying and selling a couple rentals. I was doing great business. I woke up in 2007 because I wasn't looking at the market. I didn't understand the markets go up and markets go down, especially places like Florida. I found myself rehabbing into downward market. So, fast forward to third quarter, got good off my honeymoon. I told my wife at the time, I said, we're done like we're broke. So, we ended up stumbling through 2008, with essentially no money, trying to mitigate debt, and figure out what we were going to do. And then start wholesaling, I learned a big lesson, a huge lesson back then in 2008, there's always money in real estate was lesson number one. But more importantly, you got to be on the right side of the trade. And I was on the wrong side of the trade, wholesalers, were making 10,20 grands on my purchases that I was losing money on, they had transferred the entire risk of that transaction onto me. And I said, things are going to be bad like this, I need to wholesale, I need to collect my money, I need to take risk off the table, I need to transfer that risk to the buyer. And I can stack cash and that's a lot of where I got myself out of the hole. Because in 2008, 2009, when my friends were filing bankruptcy, I was able to survive because I was able to generate a lot of income to offset the losses. And so, I was super proud of that strategy and even today as we look around what's going on? We're focused on how I can make money right now. How can I bring in money today? How can I get revenue in today? How can I not get as much risk? How can I limit risk? You know, doing shorter projects is the easy way, you get into a development project today, you're projecting that the market is going to be stable in 2021 a year from now, and I don't believe that to be true. So, everything we do is shorter revenue cycles, quicker rehabs, more wholesale, more conservative underwriting, and we're a big focus on week to week revenue.

**Clark:** Okay, well awesome. So, is it fair to say that at all initially, was it the snowball method that started it? Meaning when you purchase that first home, was that just the money you had saved up and then you make money and then you bought a couple more and then you made more and then you went to the auctions and kept going?

**Lee:** So, it was a combination of lines of credit from Bank of America as soon as I got titled because this was back when the money was flowing in 2005. Me bootstrapping credit cards, my initial purchases at the auction were purchased with cash advances on my credit card. I would literally buy something for 100,000, go to the bank, this is no joke, I throw down three, four or five credit cards, get 100,000 in cash and go buy the property and fund this. I mean, now that might sound crazy, but let me give you some perspective on that. Hard money lenders at the time were charging 15 and 2, 15 and 4,15 and 5, that's 15% annualized interest, plus two to five points, the credit card companies would give me 3% cash advance fee and zero percent interest for six months. So, I was literally financing houses on a credit card for 3% total, it was a great deal. It was like literally a great deal, then Bank of America said soon as you get title, we'll give you a minimum of 100,000 on every property.

So, I'd bid him the property for 50 on a credit card. 10 days later, as soon as I got title, I've cashed out for 100 and so that, yeah, we talked about the snowball effect, the money was flowing, and that allowed me to scale quickly, but where I went wrong was not doing that, because I bought great properties at great prices, it was doing negative cash flowing rentals and rehabbing into a downward market. That's the two things that took me down, I could not support the cash flow on the negative cash flowing rentals, and I could not support bringing cash to closing because I was selling stuff at a loss. If I'd flipped the wholesaling a year previous, I would have been a blip on the radar. And I really regret doing that. And I really regret not understanding the true cost of a rental and not building it, making sure that finance was an 80% of my payment. So, in simple terms, I would have an eight or $900 payment on an $1100 rental, that means repairs, maintenance, they can see and anything else that goes wrong with the rental, will all have to come out of $200. And for people who have managed property for many years, you know, this is not possible, just not possible.

**Clark:**Right. So, where were you--? I know you mentioned it a little bit 2007 through nine Where were you when that all started? And how many properties did you own? Let's say and where did it end up afterwards? Did you lose properties?

**Lee:**I lost everything, zero. I even lost my primary residence, I lost everything, I had no home, no properties. So, I purely switched to wholesaling and essentially own nothing.

**Clark:**How many did you own? How many do you own--?

**Lee:**I owned a dozen rentals. And I have flipped several dozen properties in 2007, maybe 40 or 50. And they're all sold at a loss. So, any cash I had made, got lost and then the rental, the equity I'd left in the rentals. Once they did a short sale was wiped out two. And 2009, as a result of wholesaling, I was able to buy my new primary residence, but it was like $80,000, it wasn't a lot of money because that's about all I could afford.

**Clark:**And so, it's fair to say, you've done this twice, then build this up?

**Lee:**Yes, I have seen the cycle where I built it up, lost it, built it back up, this time we're not going to lose it because we're prepared. We know what to do when things get tough.

**Clark:** Awesome. So, I want to take tons of directions we can go here. So, that's why I'm kind of thinking where we are. So, wholesaling. How does somebody get into that?

**Lee:**It's the easiest way to get into real estate, you basically look at what buyers are buying. So, you want to look at the investors. If you're purely wholesaling and selling to a cash buyer, you want to understand what cash buyers are buying. So, you can do that through the MLS. In simple terms, you want to understand what the cash buyers in the MLS are buying. And you can see any cash purchases, you can sort it by zip code. So, what we did was we looked at the top 10 zip codes, we figure out okay, in city x, from top to bottom, where did the most amount of cash sales occur? As a wholesaler, you're just like a day trader in real estate or sorry, just like a day trader on the stock market. You don't actually care if the stocks going up, down or it's flat. All you need is volume. That's what day traders depend on, on the stock market, it's exactly what a wholesaler passes on. What you don't want as a wholesaler is no liquidity, nothing selling, because that means you have no buyers.

So, get into any big market in this country, any market, sorted by zip code with lowest or highest to lowest and cash buyers, focus on the top zip codes with cash buyers. And what that'll do, is it'll tell you a few different things, what's selling, what price it's selling, and what kind of assets people are buying. And so, then it's really simple. You've got to buy below wholesale and sell to the wholesale buyers. So, then the obvious question is, why aren't they doing what you're doing? They're lazy. That's the simple, straightforward answer. There's, there's probably 10 other answers I could give. But the simplest answer is the buyers that buy off the MLS or buyers that buy from wholesalers, they need the asset. If they get it at their price, they don't mind you making money. They'd rather have the deals handed them than do the marketing that we're doing. So, to acquire the deals, you've got to look for distressed sellers with equity and you've got to contact them. Now with today's technology, you can call them you can text them where legal, you can leave them ringless voicemails, if that's legal, depends, that's moving targets, you got to make sure that you're reaching out to people in a way that's legally appropriate. In other cases, you can send them a postcard or a letter, there's so many different ways, but you've just got to get in contact with these people. Our ideal seller is two things. One they have to sell. So, we only focus on people that have some sort of distress, a divorce, death, out of state, and foreclosure. So, we want distance as well as the distress and I should have mentioned that, we want two main things, we want distance and distress. And then we already sort of list, that people that can sell which is equity.

So, assuming you have equity, we want you to detach from the property, whether it's geographically or emotionally, and we want some sort of distress having to move the process along. Maybe it's a foreclosure auction. Maybe it's a tax deed. Maybe it's a code enforcement issue, but I need some sort of an issue in the background. So, that way, it's like the carrot and the stick. We're saying, hey, we can buy your house, but we know in the background, that there's a stick, there's a distress, that's forcing this sale. And that's where we get the majority of our good deals, and the more distress and the more distance someone is from the property. That's typically where we get our highest equity deals.

**Clark:** But how do you find them? Is it reaching out to them directly? Is it these auctions? What's the best way?

**Lee:**That's a great question. It was the auction several years ago. But now as the institutional inventory has dried up, it's actually seller's direct. So, we pull lists, we contact them with our openers in the Philippines. As soon as we get a hot lead, we transferred to our closure here in the States, and we actually buy homes over the phone.

**Clark:**Wow. Wow, that's pretty amazing. So, people can get into it. I mean, it's probably a little bit of time to learn and know where to go and what to do first, but it's possible, huh?

**Lee:**Sure. You get in your car, you can go drive around, find vacant homes, look up who owes them. Look up how much they owe, that's all public record and just say, hey, do you want to sell your home? I see your home sitting here doing nothing. I'd like to buy your home, as long as you know what the investor is going to pay for it. So, if you see the best was buying the same house for 100 grand all day long, you get it a 70. There's 20 people buy that home off you and you can make 10, 20 30,000 on that all day long.

**Clark:**So, driving for dollars, as they say, right?

**Lee:**It still works.

**Jace:** So, what's been your favorite method and what you've done here? Is there something that you were to offer?

**Lee:** Options were my favorite. Because you'd show up, you're the highest bidder, you win, you got predictability. When you're tasting sellers, it's like going fishing every day.

**Clark:**So, how can I, I want to ask and I'm sure listeners are probably thinking, how come single family, how come you never switch to multi or do you also do multi as well?

**Lee:** Well, what I'm about to get is a huge kick for the next couple of years. I've found the returns to be more stable, more predictable, appreciations better. The management side of it. I like single families for a lot more reasons than multifamily, and people can disagree with me on that. But I've had tremendous success. And that's what I know. And I haven't seen two and 300% of depreciation in apartment buildings, but I have in single family consistently, if you buy them at the low point of the market, and you write it up, it's an asset class that understand, it's an asset class with returns that I think dwarfs multifamily. I look at people buying stuff right now and, you know, seven, eight caps, in C grade neighborhoods, and they're going to get crushed. They don't realize it right now. But they're going to get crushed on these projects.

**Jace:** So, what kind of price range are you buying?

**Lee:** Right now, we're buying and selling. So, we try to buy and sell at the affordable range. But once we start buying rentals again, once the market cools off in the next couple years, which I reasonably believe is going to happen. In fact, I could almost guarantee it. It'll be sub 100,000 all in, that would be my comfort zone as far as--

**Jace:**That's kind of a sweet spot?

**Lee:**Correct. CC plus, in my experience has given the highest yield. We also by financeable product, but it goes down a lot more than AMB. So, you can buy it at a deeper discount, you get more appreciation, you get more yield through your whole period. And at the end, you can sell it to a finance buyer. And the interesting thing happened this cycle and happened last cycle. As properties, AMB properties go up in value, it pulls up the value of subgrade properties. So, we don't buy D, we don't want warzone, but we want stuff on a nice street, it's financeable in a cc plus. And that stuff really climbs up at the end of a market cycle because the AMB properties have depreciated so much. So, I found checks all the boxes for me, the stuff that I want to own, and it's been the most profitable area of real estate for us. We made the most amount of money by buying rentals at the bottom and selling them at the top and holding them because its tax writes offs along the way. It's equity when we sell out, we realized that appreciation and tremendous cash flow along the way.

**Clark:**So, you talked about in 2007 or 2009, you're over leveraged, right?

**Lee:** Correct.

**Clark:** What are you guys at now? What percent, what do you try and hit?

**Lee:** I have less than 10 rentals. So, it's probably 60 70%.

**Clark:** Okay. So, any of the stuff that you do, you do for the flips, you're buying in cash?

**Lee:**We buy with a combination of cash and hard money.

**Clark:**Okay.

**Lee:**But it's short term debt. It's not long term.

**Clark:**Sure. And how levered is the hard money? Because if something were to go down and you couldn't get out of it, and it comes due.

**Lee:**Yeah. 70, 75% but that's off of today's value. That's not some pie in the sky appraisal, that's off literally what the house is worth today.

**Clark:** Yeah. So, what markets do you look at Lee? Is it anywhere that there's a good opportunity, is it staying local to where you're at?

**Lee:**Yeah. The local process is Florida. So, we actually consider Florida our home market. So, we deal with our seller, direct model is the entire state of Florida. And then we chase auctions as far as online auction platforms, we look for mispriced assets anywhere in the country. As long as it fits the pricing for our model we'll buy it.

**Clark:** So, how do you find it if you're in Florida and there's a great opportunity in Ohio? Let's just say, I'm just picking a random state. Do you have people out there that are looking, are you searching the MLS? Or is it--?

**Lee:**Yes, I got boots on the ground in certain markets, which is local operating partners. And then on top of that, we bid on options that we can bid from Tampa, Florida.

**Clark:** Okay, awesome. And what are the best online websites you use for that?

**Lee:** Consider what you're looking for, you've got you know, Hudson, martial auction, calm zone, those are probably the top three.

**Jace:**Okay.

**Lee:**And actually, auction calm zone and Hudson martial probably in that order would be the biggest to the smallest.

**Clark:** And you always look at the property or have somebody look at the property before you buy it. Or are you taking chances on properties you haven't seen in person?

**Lee:**NO, we always go look at those and we'll hire an agent to get as a BPO. And we give them the listing on the other side, too, we tie them into the rehab too. So, we use the resources for rehabbing. So, we try to tie in local agents throughout the deal.

**Clark:**Okay.

**Jace:**So, one of the things you mentioned at the beginning, is knowing where to spend the money when you're rehabbing something, right, that you don't necessarily need to be the nicest house in the neighborhood, where's the value, obviously, the kitchen where else?

**Lee:** Actually, I'm going to wind it back a little bit, you got to do the half, two items first, and then you do the one, two items. So, the half two items are items that needed to get financing. So, if you're trying to maximize value, your intention to sell to a finance buyer, so the roofs got to have five or more years left on it, the AC can't be at the end of its useful life. So, you got roof, AC, electrical has to be up to a certain standard and they're getting really strict on that. Same thing with the plumbing. So, before you do anything else, you want to look at your roof, your AC, your plumbing and electrical, which are typically four-point items too, which is needed for a buyer to get insurance. Then you can look at your one, two items. So, if you've got a 50 grand budget and your half two items take up 25,000 you've actually got 25,000 to do cosmetics, and the cosmetics could be anything from landscaping, to paint, to kitchen, bathrooms, stuff like that. So, a true rehabber understands that like on a bigger rehab, about half your rehab budget is going to go on those half two items. So, your true budgets for making the house look pretty. Your wish to stuff the cosmetics outside the wall is probably about half of that total budget.

**Jace:**Interesting. So, give us some numbers. So, you buy a house for 125 grands, right? What is that? A Three, two?

**Lee:** Yeah, we'll say it's a three two, yep.

**Jace:**Three bed, two baths. And then how much do you put in it? And how long does it take? And then when you sell it, how long do you hold and how much do you sell it for?

**Lee:**That's a good question. We underwrite it, we try to get a 12 to 15%. net, net return on that, that's after all costs. So, that's the way we work it out. We put in our selling price. I put in a rehab, I put in my profit margin, which is typically, it's going to be at least 25, 30,000 and the higher end properties can be about 50. And we try to make sure that we hit those numbers net, net. So, we back into it from the sales price, and then we on our profit margin, then we back into it then what we can pay and buy it for. It'll take us about 60 days to rehab because we don't do rehabs anymore. And our goal is to stage it down once it's to price it immediately, then within a couple weeks of listing it, it's to move the price down until we actually get a contract on it. There's no point of buying listing or buying rehabbing list, we're in the business of buy rehab list and sell. And so, you got to move this asset all the way through your system for it to make sense.

**Clark:**Yeah. So, 12 to 15% IRR. That's kind of what you're looking for on each deal?

**Lee:** Well, that will be per deal. So, if you turn it a couple times a year, yes. But yes, that would be correct.

**Clark:** Got you. And you guys are at about 7500 homes you have now?

**Lee:** No, we've done.

**Clark:**You have done?

**Lee:** Correct. That's about the number of deals we've done. Right now, in inventory I think we've got two or 300 totals.

**Clark:**Okay and have you noticed that the space has gotten more crowded Lee over the last several years Lee, as real estate just kind of become more appealing and people have done it more on their own and there's more risk you know, you have like bigger pockets, right where there's so much more people talking about it now. I feel like compared to 10 years ago.

**Lee:** Yeah that's the end of the cycle, that's normal the dumb money comes in as my mentor calls it, the masses of assets that's all normal stuff.

**Clark:**Okay, so tell us a little bit about what's been your horror stories. I know you've probably had several right, maybe give us just for fun what has happened.

**Lee:**Sure. I can tell you a crazy story, but it's kind of gruesome, but if you'd like I'll tell you the story.

**Clark:**That's all right. We'll edit it out if it's too gruesome.

**Lee:** Okay, no problem. Well, first one was that I bought the wrong house too early. The options, I realized early on that the term, the Latin term, which is in the Florida statute for a third-party bidder, says caveat and poor, buyer beware. So, even, whatever the clerk's advertising may not be the property So, I ended up buying the property next door, it was under six feet of water. So, that was my first big disaster. Another disaster from a live auction, I transitioned instead of being at the auction, to having bidders in the auction other than being live in the field. So, if a discounted bid came in, I would be on the road, could go physically, look at the property. So, I walked into property, there was an old guy there, gave me a tour of the house was super creepy. Me and one other investor walked through the house, kind of asked us to come back into this room at the back and I said no, I was so scared. I end up walking out of the house backwards. Looking at the guy. Sure enough, one of the bidders down at the auction was actually former Sheriff, good friends with the sheriff's department. He told us that the guy had killed his wife after we left because he was losing the home that day.

I mean, we talk about being on the front line of real estate, foreclosure auctions at the front line, you buy them, the bank says have a nice day. You've got to kick people out. I could tell you stories about putting people out in the street. And they say, where are you going to go? They said, I don't know. And my guys are changing the locks and their entire belongings of their house, because they literally did nothing are in a pile in front of the house, and they're sitting on a chair in front of their house. That's a side of real estate that people don't think about. You'd be shocked how many people literally do nothing, get foreclosed on, literally have someone like me, or companies like me, knock on the door, still do nothing. Get a sheriff to evict them still do nothing. I could tell you stories where the sheriff had to break into the home to physically remove people because they wouldn't even open the door.

**Clark:** Because they won't leave.

**Lee:**They won't leave. And like we're talking about like, the toothbrushes out, the food's in the fridge, like the linens are on their bed. I mean, their clothes are in the closet. I mean, they've done nothing, like literally nothing. And I would say we've had several hundred properties like that, where you put the entire belongings of the home, out in the front yard. That may sound harsh to people listening. But I think it's important for people to realize it's not like HGTV, if you're dealing with foreclosure auctions, you have to remove the occupant to be able to process the asset. There is no other choice. You didn't take their home, they didn't pay the bank, the bank is the one who is foreclosing on them, and you're not the bad guy. It's you or your competitor, but someone's going to buy the home. Something's got to be done with the home in order to make money from it. And that's just the side of real estate a lot of people don't want to talk about.

**Clark:** Right. I understand.

**Jace:** What's been your best deal Lee? Let's flip sides. What's been your--

**Lee:** Best deal? It was a land flip, we bought eight lots. It was a church and the church needed help, they didn't have the money to split the lots and do all the legal work. So, we put it under contract with them and told them we would take care of all the costs of the lots. We split it and bought it for 25 a lot and end up getting a buyer, the buyer said you know what, I want to do all the work because I want to build a certain kind of house. So, the buyer had to pay for all money to split the lot and get it split the way he wanted it, and we double closed that and got $200,000 profit, the church was happy and we're literally in tears because they had money, much needed money to improve their building. The builder was happy because he bought lots at a fair price. And we made 100% on that deal, literally a $200,000 fee. But that was about a year process. And so, the best deals for me is when I've solved huge problems for people, I get a huge payday. Not always, but the ones where I have got a huge Payday is usually solving a huge problem.

**Clark:** So, how did you find that specific deal? Or did you know someone from the church?

**Lee:** Yeah, networking. And this is why you don't want to be a secret agent. You want to tell everybody what you do, have a good reputation in the marketplace, always do what you say you're going to do. And then you'll have people, it will be word of mouth.

**Clark:**Right.

**Jace:**So, let's talk about that. How have you done that? Is it joining networking groups? Is it being active online? Is it reaching out to people to help them close deals?

**Lee:** It's dealing with agents, I deal with a lot of real estate agents, always close on deals and make sure that we are consistent. I forgot to tell you; I didn't mention it because I've mentioned it a couple times. But yeah, I actually was one of the early people here in Tampa. I got COVID-19 almost died.

**Jace:**Oh, wow. Did you really?

**Lee:**Yeah.

**Jace:**Yeah. And you were on a ventilator and--?

**Lee:**No, they were about to put me on a ventilator, I was on a lot of oxygen. They said, If I didn't turn around, they were going to put me on a ventilator intubate me the next day, so but that's basically a death sentence. So, I yelled at them all day Saturday, when they told me that to give me hydroxychloroquine, they finally did, and that's when I turned the corner. But I was literally dying.

**Clark:** Because you were just like, let me just try something, whatever.

**Lee:** Well, yeah, my friend was telling me, you need this drug. And the doctors were like, well, I don't know. And I said, no, I need it. So, they finally gave it to me. There are a lot more educated now, here in May, but this was early March. So yeah, it was mid-March. So, that was a rough time.

**Clark:** Gosh, man. Oh, man. That's crazy. You know, other people, a lot of other people that have had it?

**Lee:**Yeah. A lot of people reach out to me. Yeah. Actually, one of my business partners, his wife, three out of eight family members died. She got wiped out almost half their family, it's a crazy stuff, man. This is where the numbers don't make sense, because they just don't make sense at all. You see both extremes on this, this doesn't make sense. There's a lot of unknowns, you know, people will tell you masks, no masks, you know, hundreds of thousand people are dead, 20,000 people are dead. I mean, it's--

**Jace:**I know, you don't have to believe, you don't.

**Lee:** I really don't. I don't, then everyone's got a new conspiracy theory every week. So, I'm trying to ignore the noise. The things I can control are things that are happening in the future and things that are within my sphere, but things I can't control and things that have happened previous I don't worry about anymore. I just try to focus on my little bubble and move it forward.

**Clark:** So, what are you guys doing? Do you feel like it's a good opportunity right now or do you still think things are overpriced and it's going to get hit harder?

**Lee:**Yeah, we're just buying and selling. We're not holding anything.

**Clark:**Okay.

**Lee:** Yeah. I think here in Tampa, Florida is going to take a nosedive.

**Jace:** Right. Real Estate wise, you're saying?

**Lee:**Yep. And half the businesses are closed, half the restaurants, I could walk you around downtown Tampa, half the restaurants will never reopen ever. Like they're done, like they're chained, boarded up, like they're done.

**Clark:** I mean, I'm in New York, and it's like, it's crazy. Streets are completely empty, everything is closed. I mean, yeah.

**Lee:**Now, in New York, is dense, so dense, and only people who live in Manhattan, like, come back, because they have to, because people need to eat, people need services. Like it's just, there's that much populace, here in Tampa not that many people live downtown, it was a destination. It's a ghost town.

**Clark:** Well, I still think a lot of businesses will close and then I mean, people will start new ones in the same space. You know.

**Lee:**Right.

**Clark:**But I still think a lot of them are going to go out and then it's just going to be who have the money to start one. Who has the money to put in the New Delhi, right?

**Lee:**Yeah, here in Tampa, I think it'll be a low point where a lot of stuff's going to close and not open. The city's going to have to incentivize people to come back downtown.

**Clark:**Do you invest in the markets at all?

**Lee:**No, not really.  I think maybe total, like literally total, maybe a couple hundred grand in the market.

**Clark:** Yes.

**Lee:**I'm scared to death of it.

**Clark:**Yeah. So, Lee, tell us a little bit about where to find you and kind of what you're offering and where people can learn more about what you guys are doing.

**Lee:** Sure. Yeah, we have a real estate education platform called realadvisors.com, that's realadvisors.com and if you want to reach out to me personally, social media at realleekarney on IG.

**Clark:** Okay, awesome. So, Lee we really appreciate it. Thanks for coming on, really good stuff. Everybody checks out his website and some of the information. Appreciate you coming on and being so candid with the responses. I think everybody's learned a lot. So, thanks again Lee.

**Lee:** You're very welcome. Thank you.

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