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**Tim:** I'd rather have control over my assets and if I'm going to win because of me, if I'm going to lose, it's because of me. You know, I can take 100% ownership over it.

**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 millionaires unveiled podcast, this is episode number 135. Jace, what's going on? How are you?

**Jace:**Doing great, man, how are you doing?

**Clark:**Doing good, hanging in there, hanging in there, everything's going well with us. We were talking a little about the show, we just had an interview with someone that's coming out with a new book, so there's still things moving along here, right?

**Jace:**Yeah, totally. I think for the most part here in Texas, we're getting back to some sort of normal, took my kids to the pool today for the first time this summer, or I guess spring, summer, whatever you want to call it. For us, it's already summer when it's 90 degrees. But that was nice and refreshing to take them there. We went to private pool, a couple different times over the last month, but this was, you know, our neighborhood, more public pool. So, getting ready to kind of get back to some normal and I think, you know, continue to hopefully slow the spread. And, you know, I think we're going to have some favorable outcomes here in the near future.

**Clark:** You guys are starting to get more cases though, in Texas, right?

**Jace:**Yeah. I mean, there's some uptick, a little bit in some areas, but across, you know, we've had some Counties that haven't had a new case in several weeks now, so--.

**Clark:** Awesome, awesome. So, another thing that's been moving, we're recording this May 20 here, so another thing that's been moved in the last couple of days is the stock market, right?

**Jace:**Yeah.

**Clark:**S&P this week is a 6% and it's only like 11% or so, off the high, from end of February and the NASDAQ's only off, I think, like four and a half percent from its all-time high on February 20. So, 4%, pretty crazy, it'd be down only 4% right now with everything that's going on, right?

**Jace:** Yeah. You know, we were talking a little bit before the show about the situation, we've got all these unemployed workers right now, government's pumped several trillion dollars in the economy now and, you know, by the way, side note, today is National Millionaires Day. So, congrats to all those millionaires out there and the show we're recording this on May 20, which is National Millionaire's day. But I think the markets responded to some of the positive news that the market is hopeful that one, either there's a vaccine or two, that some of these companies that may have been hit the hardest are going to be able to kind of you know, make a V shape recovery. You and I are in the boat, that we think that it might be a little bit harder for all these people to go back to work immediately and maybe even some of their jobs may not even ever come back.

**Clark:**Yeah, it's totally interesting. But then I think people find ways to make something else happen, right. I think that's what you mentioned last week on the show is that people find opportunities. And, you know, it's just, it's interesting when you look at the market, because some stocks have totally thrived, right? You got Amazon and some of the healthcare stocks and then some of the healthcare stocks are either up or haven't moved. And then you have stocks, obviously, like the travel industry and cruises that have gotten crushed. But if you look at Amazon, it's pretty interesting. So, I have a six-month chart pulled up, so they reached their high, previous high, I think in February, February 20-ish, right? Then they dropped, so they dropped about 21%, 22% on March 12, or so was their low or give or take, I'm just kind of using rough numbers here. And since then, since they're low, they're up 40%, so since their recent high in February, they're up 16%. So, if you bought Amazon mid-March, you're up 40 something percent. So, pretty amazing that they've been able to weather it, right. I mean, obviously, it depends on the company, but I don't know, pretty interesting right now to see and Facebook spiking right now and everything. I don't know. We'll see. I think normalcy is coming back maybe slowly but surely.

**Jace:** Yeah, I think it poses the question, how do you go and invest in in times like this? Do you try to pick those stocks that are maybe the stay at home stocks and ride those out for the long time? Do you stick with the Fang stocks that have shown that they can have their workforce go home and continue to produce for the most part, with maybe the exception of a couple that have, you know, significant exposure overseas? You know, I don't have the answer, I think everyone needs to decide that for themselves. I personally haven't been playing the market but we've, you and I both bought as it was declining to some degree. I know you bought a lot more in certain stocks than I did. But the interesting thing is too, you know, I see Southwest report today that all of a sudden, they're adding a bunch more flights back in June, because the demand spikes so fast.

**Clark:** Oh, interesting. I didn't see that.

**Jace:**Yeah. So, you know, I think, didn't you buy some of the airline and travel stocks?

**Clark:** I bought some airlines and I'm up in, so I bought, it's so funny, right? I bought it March 23 or so, which was the low, right. The problem is, I bought airlines, among other things, right. So, some of the stuff has done really well. So, I'm trying to just open it up here. So, on airlines, I'm still down on Delta and United, but I'm up on Southwest and I'm up in my airline fund. My biggest winner is Eldorado Resorts that I bought at the end of March and that's up 139% since I bought it.

**Jace:** Wow, any reason why?

**Clark:** I don't know, I think maybe gambling is coming back or they're buying Caesars Entertainment. So, I think maybe it's just that news made it spike initially, but obviously just dumb luck here. I'm no stock trader, but pretty interesting. So, anyway, speaking of risk a little bit right we've got a new sponsor for the show RIMS, so we're appreciative to them sponsoring this week's episode. They're a global organization dedicated to the profession of risk management. For nearly 60 years, RIMS has delivered the latest strategies and resources that allow risk professionals to grow, innovate and succeed in any business. RIMS work with industry leaders to produce content and online training that business professionals turn to. Topics include business continuity, cyber risk, risk management techniques, the fundamentals of insurance and more. There's also a private member only site, where people can discuss sensitive issues and get honest answers. Members have been leaning on each other as well to navigate this global pandemic. If you're concerned about the safety of your employees and the sustainability of your organization and business, you need the resources and connections RIMS provide, Learn more at go.rims.org/unveiled, again that's go.rims.org/unveiled to learn more and you can save 25% off of a yearlong membership. So, thanks again to RIMS for sponsoring this week's episode.

We'd love to share your financial millionaire story. So, if you're a millionaire or close to becoming a millionaire, we're always looking for great everyday millionaires and terrific guests and we're appreciative to those who have already come on the show and to everybody who listens and obviously we've been able to learn from so many of our millionaires and we're appreciative to them. Our goal is obviously to get a broad guest of millionaire so if you're interested, our email is millionairesunveiled@gmail.com. Also, we may have some multifamily investment opportunities coming up so if you're interested in buying what we feel is a good price right now, feel free to reach out to us, again, our email is millionairesunveiled@gmail.com. We appreciate everybody tuning into the podcast week after week. Thanks for listening even during this troubled time, hopefully we provide just a bit of light to your schedule and repertoire. And so, thanks again for listening. On today's show, we have Tim, Tim as a high net worth around 30 million. He's primarily invested in real estate. So, we really dive into his mindset, how he's built a team, how he's been able to build up his real estate portfolio and some other interesting stories there. So, great, interesting interview with Tim. And so, without any further delay, let's get right into the interview with him.

**Jace:** Tim, do you want to just give us a little about your background and kind of what you're up to now?

**Tim:**Yeah, well first, I appreciate you guys having me, Clark, Joe, I appreciate all the value you guys bring and excited to be here. So, my backgrounds in real estate, I'm a real estate guy. I was going through college when the market was going crazy back in 03 to 07. And I saw people, anybody who had a breath could make money in real estate, right? And I was a money motivated kid back then and decided I want to get into real estate and so after college, in 2007, I moved out to New York City, I'm from Cleveland, Ohio originally, moved out to New York because my brother was living there. And he's like, hey, man, come and live with me. And I thought you got involved in real estate by becoming a real estate agent. So, I went and got my real estate license and took a job working for a brokerage firm, but a commercial brokerage firm and they essentially negotiated leases and did some investment and apartment building sales and for all these landlords in Manhattan. And I remember, like I'm a new kid on the block, right, so they give me all the junk listings, like these little retail listings and office listings, like on side streets, and I took this one in Greenwich Village, and a small little 400 square feet space in Greenwich Village and I remember negotiating a lease on that, took me about eight months to negotiate the first lease on it and actually close a deal. And on that, it was 400 square feet, we signed a lease for $10,000 per month, with a 4% annual increase over a 12-year lease term. You know, I'm a numbers kid, right? And so, I started running the numbers on this thing and I'm realizing this landlord, over the next 12 years, is going to make almost $2 million for doing something at one point in time. And this is one of eight retail spaces and this is the smallest retail space and they have 15 stories of apartments above it. And I quickly realized I'm on the wrong side of the coin, I need to be owning real estate instead of brokering real estate.

And so, I started going through this, this whole analysis paralysis phase of just trying to study everything, learn as much as I possibly can. And that's right when the economy started dipping. So, 08, 09 come, thankfully, I didn't get in real estate before the market shifted. Not from an ownership standpoint anyways. But as soon as it dipped, I realized like there's some real good deals out here. And it was kind of weird, though, because I was all excited about getting into real estate and meanwhile, everybody's like, run, right like get out of real estate. I was like I just showed up to the party, what do you guys want for me? And so, I didn't have any money, I'm 23 years old at the time, in early 2009 and I decide that I want to buy a house and I ended up buying, I move down to Charleston, South Carolina, which is where I split my time between Cleveland and Charleston now. And when I was down in Charleston, South Carolina, I found the cheapest house on the MLS and it was it was a dump man, in a really tough neighborhood. But it was the cheapest house on the entire MLS, and it was 25-grand, that was awesome. The only issue was I didn't have 25-grand at the time. And but, I had this credit card. And so, I called up my credit card company asked them to increase my limit. I asked them for a $100,000 limit increase, and they said absolutely not. But they give me 15 grand and so, I made an offer on that property, went back and forth, got it for $14,000 and put all the sweat equity in myself, did all the work and end up selling it to one of the neighbors and I made $13,000 in about 100 days. First deal, worst economy I've ever seen and without knowing what the heck I'm doing, and I was hooked and so I've just been doing real estate ever since, got a whole bunch of different aspects of it, wholesaling, the retail flips that you see kind of like on HGTV, the turnkey space where we buy and renovate a single family house and then sell it with management in place to a white collar professional, open up a management company and then I got to do apartment buildings and I started focusing on apartments. I bought my first one about seven, seven and a half years ago and really been focused on apartments for the past four years. And over the past four and a half years, I have grown my portfolio and 97% of my portfolio is apartments now, I have a little bit of other stuff, but 97% is apartment buildings and I'm currently at a little over 3700 apartment units. It's about a $300 million portfolio value, and I only owe about 180 on it. So, we're at a pretty good basis on the portfolio. We have a lot of equity built up and we have a very specific buying criteria and business model of, you know, I saw everybody who made a lot of money and people who lost a lot of money in the last market cycle and my entire business model has been modeled off of that, to ensure we can ride out any sort of market shifts or anything else that occurs because as we know, real estate cyclical, and it's going to happen again.

**Jace:**Wow, that was an awesome story. I want to get into some of the details and stuff. But what's your net worth in that today?

**Tim:** A little over 30 million.

**Jace:** And 97% of that is basically in multifamily real estate?

**Tim:** Yes, and the other 3% is in other sorts of real estate, you know, I got a couple hundred thousand dollars sitting in a bank account for an IRA and 401k type stuff. But other than that, everything is either in cash or in real estate. And so, it's just, I like real estate, you know, I know it, I can, it's predictable for me, I can control it, I'm not a stock guy, there's something that doesn't sit well with me with investing in a stock where I can't control it. I can't control if you know, what Volkswagens cheating or I think it was Volkswagen, cheating emissions tests, right, or if Elon Musk smokes a joint on public television, and the stock drops by 15%, like, that's not something that I messed up on, I just, I'd rather have control over my assets. And if I'm going to win, it's because of me, if I'm going to lose, it's because of me, you know, I can take 100% ownership over it.

**Jace:**Totally. So, you said you've got a little bit in IRA, is that invested in the market or is that self-directed into real estate as well?

**Tim:**That's in the market. It's kind of, just set it, forget it, put it in the market. I'm 34 years old as we're talking today. And so, there's some time on my side, I don't know if that's the right mindset, because I know there's a lot of smoke in mirrors in the traditional finance realm. But, you know, I set up an IRA, set up a 401k and just been contributing it to it. And it's just one of those, set it, forget it, and hopefully it's there. And I got a bunch of money in there 20, 30 years from now, but I would never bank on that. I bank on my real estate and although I'm all in on real estate, I'm diversified across 50 different properties, right? I have apartment buildings all over the country and we were talking before we started recording here, is, I have stuff in multiple states in the Midwest, all over the Southeast, all over the South and a little bit in the Southwest. And so, I'm diversified across different buildings, different markets, different sizes, different classes, some are new construction, some are renovated A-class buildings, some are renovated B-class buildings. And it just kind of, I'm diversified in that regard and I buy for cash flow, right, I don't buy anything for speculation. I don't hope that appreciation is going to occur,  I buy a lot of value-add apartment buildings, meaning they're physically distressed or managerially distressed and then we create appreciation, we force the appreciation up, by putting in that sweat equity, by doing that that value-add improvements, of renovating the property, putting better management, better tenants in place and then letting it cash flow.

**Clark:**So, Tim, you mentioned a couple minutes ago or 30 seconds or something, you have a unique strategy, right, that you've seen people succeed, you've seen people fail and that and therefore you've kind of taken pieces that you've learned from them and applied it to yourself. So, is that what your strategy is, what you were just saying? Is it just unique for cash flow? What are you looking for specifically?

**Tim:**Yeah, great, great question. And, you know, the real thing is, how do you mitigate risk, right? When you become a millionaire, you increase your net worth, especially when you don't come from money? You're almost afraid to lose it, right? And so, one of the very real things I focus my time on now is not only increasing my net worth, but also increasing that safety net, and reducing the liability and the risk that comes with it. So, if a market cycle does occur, if the economy does shift, if we go into political uncertainty or economic uncertainty or turmoil of some sort, like what does that look like? And, you know, I remember when I was first involved in real estate, before I started investing, you know, 15 years ago, I was meeting these people and I talked to people in 07, 08 and they're like, yeah, I was worth $65 million before the market shifted, and I lost everything. And I remember thinking myself, like, how the heck is that possible? How are you worth $65 million and you have zero a year, two years later, like, how's that possible? And, then I met other people who were able to ride out the storm, and not only were they able to survive, but they were able to thrive, and they bought all this real estate for pennies on the dollar when the market shifted. And I'm like, what was the difference between those two stories, you know, and sitting back and looking at it, there were a few key points. One, is there are a lot of people who bought at a retail price, hoping that tomorrow the value would go up, and then when it didn't go up, and then actually went down, they had negative value in their property. So, that's number one, never buy retail, always buy wholesale. I always buy and I'm all into one of my apartment buildings for usually 60 to 65% of that stabilized or after repair value. So, that way, the market would have to shift by 35 or 40% for me to just be able to break even, you know, so I have a lot of different options, if that's the case. So, number one, always buy wholesale, never ever buy retail. And that's, like a lot of people say location, location, location is the number one rule of real estate. No, wholesale, wholesale, wholesale is the, I've made a lot of money in really rough areas, because I always bought at a wholesale price, that's number one.

Number two was, never speculate on appreciation, always create appreciation. You know, again, going back to that earlier example is, they buy at a retail price and hope that the value would go up. I would never want to hope for any of that stuff. I'm going to take control of that. I'm going to create the appreciation by putting in some sweat equity. And so, by renovating the units and bumping up rental rates and reducing expenses by putting LED lights in and low flow toilets and showerheads and like doing things like that, where, you can, predictably increase the value of a commercial real estate property, to me, you're not gambling, right, you're more, refining the process, kind of a thing. And it's very predictable of what your returns can look like. So, that's number two, never speculate, only create appreciation. And then another one would be, always buy for cash flow, and that kind of, they all kind of fall in line with each other, but the people who bought for development purposes and again, going back to the speculation piece, you know they're buying land, they're going to build it all out and sell these houses and they think they can sell it for $400,000 a house then the market shifts and they can't sell it for that and they're in to the land and the house is for more than that, like that's when people lose.

If they were buying for cash flow, if they were buying cash flowing assets at a low enough basis, meaning a wholesale price, then they could've written out any sort of storm that occurred. And maybe, on paper, the values went down for those people who bought apartment buildings, who bought cash flowing properties. And on paper, the value came down a little bit, maybe it wouldn't appraise but they still had cash flow, even if the values went to zero, that doesn't really matter if you have somebody renting from you, who's paying enough in rent that covers all of your operating expenses for that property and it covers your debt service, your mortgage on that property, and puts cash in your pocket on a monthly basis. If that's correct, there's always value to that, right. Even if the value on paper goes to zero, it doesn't matter, because there's always value that and you know, eventually that the value will come back. And, you know, I remember early on in real estate, I always knew, like I was pretty bad at real estate for the first seven years I was investing, right, I got pretty good about four years ago. But I was pretty bad initially, but I always knew that it would work. I always knew that it would play out. I always knew that, I mean, you think about it since the beginning of civilization, wealth has always been measured in land ownership, right? The landowners, the landlords, those are the people who made the laws, those are the people who had status, those are the people who created the tax laws, right. And they were the ones who had all the wealth and I always knew that real estate would work. I just knew it was a matter of time, you know, it goes back to the whole maxim of, don't wait to buy real estate, buy real estate and wait, just make sure you're buying it at a wholesale price, never speculate and always buy for cash flow.

**Clark:**So many directions, we can take this, I kind of want to talk about the wholesale price. How do you find your deals, especially now, right in a market where there's so much capital and people are saying, oh, you know, prices are high, cap rates are down, right, I can't find something, I assume you're buying off market, obviously, how do you find those, do you do mailers, how would you suggest to somebody who's, you know, maybe not as big as you or somebody who's looking to buy their first property? How would they go about finding an opportunity like that?

**Tim:** Yeah, great question, and again, I come from the residential realm so I've never taken a class on commercial real estate, I've never read a book on commercial real estate, it's all been through the school of hard knocks, right? I do something, I mess it up and I learned from my mistake, and I don't do that mistake again. And you get better and better and more refined over time. And so, but because, I've never been through a course, I've never, you know, read a book on traditional syndication or any of these things, I've always just, taking the simple strategies that I used in buying and flipping houses and I've just taken those same processes and put them into apartment buildings. And so, my goal is to be all in for no more than 65% of that, after repair value. Now, how do you do that? One is you got to buy wholesale and two, you have to force appreciation, you have to create the appreciation. So, those two elements are critical in all the deals that I do. How do you find off market deals, when the market's as hot as it is? Like I just read an article that's $2.1 trillion on the sidelines, waiting to be deployed into alternative assets, right? What do you do, to be deployed into fixed assets and taken out of the market and put on to, into things like real estate, and when that's the case, that naturally, values increase, right, cap rates are compressed, and you got to be very creative on how you're finding deals. What I do believe, though, is that there are, I don't know if you guys have ever read Acres of diamonds by I think, Conwell, is the guy who wrote it, or it was a speech or something that he gave 100 years ago. And the premise is that, you know, this guy, who's got this farm in somewhere in the Middle East somewhere, Mesopotamia, back in biblical times, had this farm and, you know, he's struggling to make ends meet, just keeping his head above water and he's trying to, you know, do more for his family, like we all are, right? And he's in the market one day and talks to some merchant who's traveled from Europe and the merchants like well, you know, they're finding all these diamond mines and all these things in the the Alps and you should go to the Alps and go in mines for diamonds. And so, this guy goes back and he sells his his farm and he packs up his wife and his kid and they travel over to Europe and his kid gets like terminally ill and his wife, he spends all his money and his wife leaves them and he's, you know, wearing rags and stumbles back to like, to, like just completely depressed and loses all of his money, loses his family, loses everything, stumbles back to his hometown, and finds out that the man that he sold his farm to, was digging and found the largest diamond mine in history, underneath his own property. And the moral of the story is that there's acres of diamonds in your own backyard right? And although the market is as hot as it is right now, everything that I buy is, meets that buying criteria, yeah, you just have to sort and sift through more and more deals. And so, we have multiple strategies on finding off market opportunities and one is direct mail, right. So, we do mailers and we build those relationships. Two, is we dial for dollars, meaning we pick up the phone we call for rent by owner signs, and for rent by owner listings online and say, hey, we're not interested in renting, we're interested in buying your apartment building, do you have any interest in selling? We're building relationships with management companies and exterminating companies and laundromat or coin operated laundry servicing companies and landscapers and all these people who are working with commercial property owners at all times. We're letting them know that if they bring us a deal, we will either pay them a referral fee or we'll kick them a little percentage of equity in the property in perpetuity. And so, now we're creating benefit and we have all these people out there, including residential wholesalers, residential brokers, residential real estate agents and people who aren't familiar with commercial real estate, but come across commercial deals all the time, and they just don't know what to do with them. So, they usually discard those leads and what we've what we've done is we've told them, hey, we'll pay you a commission or we'll give you some equity in the deal. And now we've created value where now there are thousands of bird dogs out there that are looking for deals. And we are top of mind. I'm not the biggest owner in Cleveland, Ohio, or Charleston, South Carolina, but I have a heavier presence than most and I'm usually top of mind for anybody who comes across some sort of apartment building deal. And but you got to be out there, you got to be telling people that you're buying property. I've been telling people I'm buying apartment buildings for four years, consistently every single week on social media and through my email list and all these different things. So, there's definitely deals out there and you just got to be creative. Think about like, how about googling apartment buildings in your area, looking for the ones with the worst reviews and then calling on them. Right, typically, that means the owner is not taking care of the property, which means their occupancy is probably down, which means they can't cover their operating expenses or their debt service and they're probably pretty motivated. You know, there's a motivator in real estate, they say the four Ds, death, disease, divorce, disaster. You know, I mean, you can go down to Panama City, Florida, and there's deals all over down there, if you're willing to go in and put the value-add in, right? A lot of people from the hurricane that got hit a couple years ago, was it last year. No, it was like, about a year and a half ago, they got these insurance checks, and now their buildings are shells and if somebody's willing to come in and build those out, guess what, there's some opportunity there. There's somebody who inherited a property from their great grandpa that they want nothing to do with, right. This is somebody who's a ballet dancer in New York City and they don't want to be a landlord, they just want the cash and they're willing to sell the property at a discount in order to just have the cash sooner than later and not be dragged through the mud. It's kind of counter-intuitive to people like us, because we're always so finance and money-centric, right, in all of our thought processes. And we're always thinking about how do we get the most money whenever we sell an asset but there's a lot of other people who just don't care and they have bigger headaches or bigger problems or bigger issues that they'd rather solve and the money is secondary to that. I bought a property a couple years ago, from a couple going through divorce that could not settle and finalize their divorce until they liquidated all their assets. They were motivated, right? So, those people are out there every single, like all over, every single marketplace, you just got to find them, you got to find before the brokers do.

**Clark:**Yeah and it reminds me, I work for a syndication group here in New York City and you know New York City Real Estate a little bit and the rent stabilization stuff and how those laws just changed and everything. Anyway, we bought or in the process, have two buildings in contract, one of them is, they've owned it for 60 years or something and the husband, the wife thinks the husband's going to pass away in the next couple of months, and she's like, look, I just want to get rid of it because I want to see this thing. I want him to see this thing come full circle, right? I want him to be able to see the sale and know that everything's okay. And then the other one that you mentioned is, getting the building passed down inheritance after somebody dies, and a younger person getting it and saying, look, I don't want to deal with this, right, I don't know how to operate it, especially here in New York with the rent stabilization laws, like I can't figure it out. It's too challenging. Like, I just want to sell it. So, I totally agree with you there. I want to ask you about something that you seem to do pretty well because you buy all over, you have 3700 units, right? How does somebody get comfortable? How do you get comfortable with buying out of market or out of the place where your primary residence is? Do you have a team built up in each of these areas? Do you just constantly visit them? Do you just ensure that there's a good management company in place? How do you gain confidence over that buying out of state?

**Tim:**Good question. And on that, there's, we always have multiple layers in place. I didn't buy out of state initially, I bought in my own backyard, I bought a lot in Cleveland, Ohio and then, because I lived in Charleston, I had some connections down there, I had some resources and some really, really good operating partners that were in there, that just needed access to capital or a balance sheet and a little bit of more the administrative side taken care of. So, that's how I initially got into investing out of state, had a good buddy in Georgia and he said, hey, man, if you'll bring 300 grand to this deal, and help sponsor the loan, I'll give you x percentage of it. And that's what I ended up doing. And so, that got me and then I realized, holy cow, like these out of state ones, it forces you to think at a different level, meaning I'm not, if it's in my own backyard, then my team, it's easier to just drive to the property, you know, and it's easier to do those mural type of activities versus if you're buying out of state, it forces you to be more of a magician and more of a business owner and put better systems and better people and better proper processes and metrics in place to measure all of that and manage all of it appropriately. And so, one of the things that we do is we always need somebody who's local to the project as our boots on the ground partner. And they're a joint venture partner, they're only compensated based on the performance of the property. So, we always have somebody within at least an hour, maybe two hours of the property to ensure that if a lender comes down and wants to walk the building, they go walk them, if we have an insurance claim, and we have to meet an adjuster, they go and meet the adjuster, it's somebody who is competent, who understands business and can think at a higher level and problem solve at a higher level. So, we always have that, we have, you know, our buildings are all 100 units or bigger or so we always have an on-site property manager and on-site maintenance personnel as well. So, we layer the, that would be the most day to day operational at the base level, right. And then we have our local joint venture partner, kind of overseeing them. We also have a management company, third party management company, typically, sometimes it's in house, sometimes we have third party management. But if we had third party management, they'd be involved as well and they're kind of handling, in case, the onsite manager doesn't do their job, they're filling in the gap while they're hiring somebody else, or taking care of the payroll type stuff, and the financing all that. And then my team in Cleveland, which is where we're headquartered out of, my team here, would we hop on phone calls with the management company, the JV partner, and the on-site property manager every Monday, and we go through all the metrics and for about 30 minutes, we call every single one of our properties and run through all the metrics on each one of those properties. Then day two, I get an update, which mean Tuesday, each week, I get an update of where we are and everything. And I can meet with my team for an hour or two hours and run through everything to make sure that, the needle is moving forward, right, things are on time, things are on budget, and, you know, go in the direction that we need to be going in. So, it's multiple layers and it's, again, man, it's been a lot of learning curves in that process too. But because we have a few people who are very accountable and are only compensated based on the performance of the property, it makes it more incentivized for them to pay attention and make sure that the property's performing at the rate we want it to.

**Clark:**Sure. Now, it's a great answer, because I think it's something that people are concerned about. And as you know, especially people that may live in a city like New York or LA or Boston or DC, that's expensive, and they feel like maybe they can't find something in their area, you know, are they comfortable buying in a place like, you know, South Carolina, right where they're far away anyway. So--

**Tim:** What I would say is this, Clark, because I just bought 700 units almost two years ago from some Wall Street guys in New York, and these guys are making 5 million bucks a year on Wall Street and they are, they don't know what to do with their money. They need some depreciation and they went and bought 700 units in Georgia, right outside of Atlanta. And here's what they didn't do, they didn't have a local joint venture partner. They didn't interview multiple management companies and know the right questions to ask. They thought that because they hear about real estate and they read about real estate that it could be a passive investment, that they could be completely passive or they could just write a check, give somebody a management contract and everything would be taken care of. And that's like you and me going into a restaurant and because we eat in a restaurant, we think we can operate one. No, two totally different things, right? And these guys ended up getting burned by the management company, they didn't have somebody to pay attention to the property. They got so salty, over losing money on the property that they wouldn't reinvest. So, you know what happens then, you go into this negative spiral of not being able to turn units, occupancy drops, crime increases, and you can't cover your debt service, you can't cover your operating expenses, and all these things end up happening. They end up dropping about 40% occupancy and somebody that who knows what they're doing, like me, comes in and we made him an offer, I bought 700 units in June of 2018. Yeah, June of 2018 for 10 million bucks, you know, $15,000 per unit. But I had to put another 15 grand per unit in and there was another $5,000 per unit essentially, like holding costs and reserve funds. And so, but we're all in for 35,000 units, these things will appraise. We're going through the refinance process right now and it's looking like they're going to appraise for around $70,000 a unit. So, we're in at 50 cents on the dollar on those projects and that's somebody who's smart, that's somebody who's a multi-millionaire in their business, but they realized that if they kept on focusing on apartment buildings, they wouldn't take their eye off the ball in their primary business and lose that income as well. So, they had to just drop it and let go. And a lot of the properties I buy are from smart entrepreneurs who just got into another business and they were not focused, they didn't have a joint venture partner, and they just thought they could give it to a management company and the management company will look out for their best interest, not always the case.

**Clark:**Wow. So, how do you raise money for your deals Tim, is this syndication, is it institutional money and then do you 1031 them after or what's kind of your structure there?

**Tim:** It'll be interesting to get your take on this because you're a traditional syndication guy, right?

**Clark:** Yeah.

**Tim:**So, I talked to a lot of New York guys, and they, this is very different because, again, man, I never read a book on this stuff, I never learned how to do traditional syndication. So, I just did it the same way that I did single family. And here's the difference in my model, I don't buy anything at retail price, I always buy at wholesale price. I'm always all in for 65 cents on the dollar, as we talked about before. My model is to stabilize the property in 12 to 24 months depending on how heavy of a lift it is and then we turn around, we refinance it. And when we refinance it, we go to 70% loan to value loan and we pay back our investors their initial capital contribution, and we pay off whatever the bridge financing or the acquisition loan is. And so, my model is this, it's called the BRRRR method in single family, it's, buy, renovate, rent, refinance, and then we just repeat, right rinse and repeat. We do it over and over and over again. And so, my investors are only in, like, their money is only invested for typically 12 to 18, let's say 18 months on average, we average 15 to 18 months. And so, even though I'm buying distressed properties, it's very predictable for me of what the capital cost is going to be on that money because it's such a short timeframe. So, if I'm going to borrow a million dollars, I don't fully agree with traditional syndication for value-add deals. I think if you're buying something stabilized, that's amazing, it makes a lot of sense, because you're not, you know, the operator is not taking on all this effort, all this work in order to find off market deals, spending the money, spending the time, sifting through 400 deals a month in order to buy one or two of them, which is what we do. And then dedicating the next year and a half of their life, to making sure that this thing, you know, again meets the budget, meets the timeline. So--

**Clark:** Totally agree.

**Tim:**You know, I don't like the idea that investors, I've seen people in traditional syndications who invested in traditional syndications and I'm invested in one right now, it's been two years that I've invested my money and I've never seen one dime back, right? Because they're going through the value-add just, hey, they tell me it's moving along but I'd like the belief of seeing actual money. And then the other thing is, investors like a predictable return and then they also like having some equity upside in the deal. And so, I've realized that I've created kind of a hybrid of it, and I don't take acquisition fees, I don't take asset management fees and I don't take capital management fees, I don't take you know, fundraising fees, I don't take capital events fees or anything like that. I only get paid when the investors get their money back. So, I make zero money until the property refinances and then the investors get paid back. The difference is the investors make 10% fixed return on their investment, prep return regardless of the property's performance while their money's invested. So, if they invest a million bucks, they get $100,000 a year for a year and a half, it'd be, you know, $150,000 it's a good respectable return, they get that money back when we refinance, then they keep 20% of the deal in perpetuity. Even with all their money off the table, they have 20% of cash flows, 20% of the equity that's still in the property, 20% of depreciation, 20% of everything, future sales proceeds, everything.

For me and the joint venture partners, we keep 80% of the deal. But again, we don't nickel and dime in on fees, and we only get paid, we're again, in the boat rowing in the same direction as the investors, it's just more aligned of a vision. But we also have a bunch of more equity incentive because of that. So, when you talk to somebody who's familiar traditional syndication, which is completely the opposite, right, the operator gets 20% ownership and the investors get 80%. But the operator is getting fees and the investor is only getting paid based on the performance of the property, it's a little bit different and it's hard to do that. The other thing is my investors are only in for 18 months versus 5 to 10 years in a traditional syndication. So, I can 40:20 [inaudible] like 20%, I can roll them into three or four different deals over that same time frame and they're really back at the 80% and we don't have to sell the property in order to get their capital back. They actually have equity and all these things more diversified and they have equity and they can build long term wealth versus more the transactional stuff of having to sell an apartment building and retrain it every five, seven years. So, it's just different, it depends on the type of deal you're buying, it depends on the type of market you're buying in and, you know, and how stabilized the property is. So, it's just, it's different, right? It works really, really well for my investors, it works well for us, and everybody makes a really good return, but it's a heavy lift as well.

**Clark:** Yeah, no, it's really interesting. It's almost like, a hard money loan up front, right and then just a little upset on the back end, because--

**[Crosstalk]**

**Tim:**Exactly, kind of like that but it's still tax advantaged, it's not taxed, like it's still taxed prep payment. So, they actually don't pay taxes on their on their prep payment until the property sells, if it ever sells, right, the refi proceeds that they get are non-taxable all together, the cash flow that they get is offset heavily by depreciation, and then any other equity, you know, if we buy a $10 million building, and we refinance it at 7 million bucks, there's still, you know, $3 million of equity in that and they have, they're entitled to 20% of that. So, their net worth increases on paper by 600 grand, and that grows every month, we make a mortgage payment and over time as the property appreciates, and that, whenever the property does sells, only taxed at long term capital gains. So, it's still tax advantaged, they can still get a predictable return, they still have upside equity in the deal and, you know, it's predictable and their money turns every 18 months. So, if they want to roll it forward, great, but they're not committed for 5 or 10 years. It's just different.

**Jace:**Tim, as you've been kind of building this business, what are the bottlenecks, typically, is it finding the deal, is a raising capital, is it find a management company?

**Tim:**Well, I mean, you mentioned the three things that when somebody asked me or says, hey, I want to get involved in real estate, what should I focus on? I say, listen, there's only three things that matter in real estate. Number one is finding deals. Number two is finding money. And number three is running operations. You know, that's the three things that you just mentioned. And so, everything that I do encompasses those three activities. And I have a director of acquisitions who oversees all of our acquisitions and finding of deals. I have a chief investment officer who oversees all the fundraising, SEC document, he's an attorney, in-house attorney for us and handles everything there. And then I have, you know, my COO, my chief operating officer, who runs all the operations and has a massive team under him as well. And so, my, I heard Dan Gilbert say this, "the highest and best use of his time, he said were the things that cannot be quantified". And I thought, man, that actually makes a lot of sense because I can't quantify what I do because I'm not really the engine that runs the business, those three guys are the engines that run my business but I'm the fuel that runs those engines. So, what I do is marketing, you know, what you guys are doing, you guys are doing an amazing job, having a podcast, building rapport with your audience, and building credibility with your audience, building that trust with your audience and I'm sure you guys have people who reach out and say, I want to sell a deal to you, I want to buy a deal from you, I want to invest in projects with you, I want a joint venture or pay you to mentor me or one of these different things. And I've realized that those three buckets, I need somebody who's a point person for each one of those, and if I can go out and be on podcasts, or share information and content on social media and do some of the education type stuff, then naturally, deal flow, money flow, and joint venture partners and operators end up coming to us and wanting to partner up or get involved in our projects somehow, but it's not quantifiable. You know, like, I don't know, maybe, you and I end up doing a deal. You know, maybe, who knows? But without being on podcast or being active on social media, it's very hard to quantify, like, how much deal flow and money flow and everything could come. So, I focus on the marketing efforts, and that funnels deal flow, money flow and operations to my team. I would say, going back to your original question, sorry for going on a tangent there, the biggest bottleneck in our business is, you know, I mean, we always want things to go faster, right, we always want operations to move quicker but the reality is, it's a certain, there's a science and an art behind turning value added buildings into performing high income producing assets, you know, and so we always want to go faster, always want to go smoother, that probably the human element is the biggest bottleneck for us, of just incentivizing people and realizing that not everybody is incentivized by money or equity and kind of the human resources is really the toughest part for me, at least, because I hate being an adult babysitter, but it's a necessary part of the business. I have a HR guy who's like, on retainer, just because I don't want to deal with it, I don't want my team dealing with it. So, he's the one who's, you know, going through and helping out, setting up metrics and all these different things now and helping things run more efficiently

**Jace:**Make sense. So, Tim, where do you kind of go from here? You got a great network, you're young, you got a great business, what's kind of the plan for the future?

**Tim:**Well, my goal is to hit a billion dollars in assets. I mean, I don't, you know, everything's taken care of financially. But that's just one of those mindset type things. I want to get up to a billion dollars over the next couple years. I think I can do it by the end of 2021. We have a bunch of stuff that's in the pipeline right now. Some really, really good, good things going on. So, a billion dollars in assets is a short-term goal and then I've realized that really, finance is the industry that commands and directs all other industries. And my next goal is because I understand the operational side of things, and I have the team in place and the resources and connections and the knowledge and the skill set on the operational side, but we also understand the business and the finance side. You know, I think we can really bring a lot of value to people who are buying apartment buildings on the finance side, if we can go raise the money and then offer the mentorship and things, it's a way that we can get involved in more deals and then we can help other people get involved deals that they couldn't have gotten into initially, and still protect our investors and protect our own capital and our own balance sheet, because we're so active in the operational side as well. So, I think the next thing, the next step is kind of almost automating and franchising, kind of apartment building, investing and developing a big fund, I want to get the fund up to a billion dollars and deploy it and buy property and invest in commercial assets all over the country with great operators, and an offer that mentorship and guidance in that process. And I think that's kind of the next thing and then I'm also working on a children's book series, it's not launched yet, but it's called Little Legacy Library and it's all about the personal development and thought principles that I've adopted from reading all the classical personal development books out there, Think and Grow Rich, and how to win friends and influence people and those things. And so, we're releasing all those books over the next couple of months and I'm really like, that's more of a feeds the soul, kind of thing and making an impact kind of a thing for me, and I'm excited about that, too.

**Clark:** Yeah, well, good for you. So, we've taken enough of your time. Let me just wrap up here with a couple rapid-fire questions that we normally ask, what's the most expensive car you've ever purchased?

**Tim:**I believe in buying assets and not liabilities, so I just bought a $42,000 two-year-old used Mercedes GLS 450 for my wife, but I bought it from my buddy. Again, this goes back to the whole, never pay retail, always buy wholesale and I bought it for my buddy who's got one of the largest used car dealerships in Ohio. And he got this $80,000 car two years old for me for all in $42,000 with extended warranty and everything. So, I could turn around, I could sell it right now for $55,000.

**Clark:**Okay, besides real estate, what items or experiences are worth spending more money on to you?

**Tim:**I love travel. My brother lives in Europe. Right now, I love experiencing new cultures. I like experiential type stuff. And I like doing it with awesome people, with entrepreneurs and people who have similar big mindsets. And, you know, I go on, I'll give you an example, I spent $30,000 on an eight day vacation in December, because we rented this mega yacht with a couple other entrepreneurs, we were just on it for a few days, hanging out and talking high level principles and it's opened up so many doors and so many thoughts and ideas and opportunities for me since then, so I like doing stuff like that.

**Clark:**Okay, how old were you when you hit your first million? Do you remember?

**Tim:** 29.

**Clark:**Okay, I assume you have never used a financial advisor?

**Tim:**I have one for my IRA and that kind of stuff, but I don't I don't listen to anything he says.

**Clark:**Books or tools, what's been your favorite book?

**Tim:**Twelve pillars by Jim Rohn. Jim Rohn is one of the, he's like the forefather of personal development and was Tony Robbins mentor. And he's got a simple book hundred pages, it's called 12 pillars, very profound principles in that book and it's an easy read.

**Clark:**Okay, range of household income through your life?

**Tim:** I owe $45,000 in credit card debt and 80 bucks in my bank account, in August of 2012, I was making $20,000 a year, $25,000 a year but blowing all of it. So, I've gone from as little as $20,000 a year up to several million.

**Clark:**Okay, household spending. Do you have any idea, annually?

**Tim:** So, it's always been about $100,000, we keep it pretty, pretty stable. I just bought a beach house in Charleston, South Carolina. So, that just tripled my spending, so now I'm at about $300,000, $350,000 annually.

**Clark:** Okay and then lastly is in relation to what you do, what does happiness mean for you or what does it mean to be happy or fulfilled in your life?

**Tim:** It's a great question. And I ask a lot of people who are much wiser than me what that means to them as well and you know, when I think of happiness, I think about going to Europe and sitting in a cafe and sitting there and talking to my dad about life, you know, talking my brothers about life and sitting there talking with other entrepreneurs about business and you know how to pursue and be the best you can possibly be in all aspects of your life, not just in the finance side, but also in relationships and being the best dad the best husband and you know, having good physical health and all different things and, and I don't think balance can truly be met but I think harmony can be. I think you'll always lead with one or two aspects of life but that doesn't mean you need to neglect all the other things. And so, you know, trying to live a harmonious life and know that I'm really living a life that sets an amazing example for others of what an exceptional life can look like, you know, and like, like for me, what inspires and drives me and makes me happy is somebody being like, you know what, if this guy can do it, if this kid from Cleveland Ohio can have this kind of success and do this thing at the age of 34 years old and build up, like I know if he could do it, I know I can do it, you know, and that giving people inspiration really makes me happy. You know and hearing those stories of inspiration and breathing some life and getting people motivated on living their best life, that's what really makes me feel good.

**Clark:** Awesome. So, Tim, where can people find you or hear more about what you're doing?

**Tim:**Yeah, I'm really active on Facebook, connect with me on social media, Facebook, Instagram, and my website's legacywealthholdings.com, you're welcome to reach out to me there. And I put a lot of free content on social media and my website. So, anything that you guys want to know about, more about my business model or anything like that, feel free to reach out, I'm happy to answer any questions and, you know, it's me and my team. So, if there's any way that I can help other people, inspire other people, please don't hesitate to reach out.

**Clark:** Awesome. Thanks again, Tim Bratz, net worth about 30,000,000, 3700 units and more to come in the future. Thank you so much for coming on and spending your time with us. Really appreciate it.

**Tim:**Clark, Jace, I appreciate you guys, thank you so much.

**Jace:** Thanks Tim.

**Narrator:**Thanks for listening to the Millionaires Unveiled Podcast with Clark Sheffield and Jace Mattinson. For more stories, investment opportunities and information, check out our website at millionairesunveiled.com. See you next time when you'll hear from another everyday millionaire.