

EPISODE 297

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.1] WS: This is your daily Real Estate Syndication Show. I'm your host Whitney Sewell. Today, our guest is Jack Gibson. Thanks for being on the show, Jack.

[0:00:31.7] JG: Thank you, Whitney. Excited to be here.

[0:00:33.4] WS: I'm glad to have you on the show. Jack began his entrepreneurial journey at 19. He founded his first company at the ripe old age of 21. Wow, that's awesome. Getting started at that age. Operating a successful nutrition and consulting and distribution company, he had built a multi-million dollar venture before he was old enough to rent a car. Wow, that's impressive.

Soon thereafter, he bought his first home as an investment. One quickly became five and then the bug hit. He becomes obsessed with learning everything about real estate investing and soon had over 50 investment properties, generating passive income. Today, Jack spends his time mentoring other entrepreneurs, building a real estate investment portfolio and helping other investors to build a brighter future, through the power of turnkey real estate income.

Jack, give the listeners a little more about where you're at and where you're from and what your focus is right now.

[0:01:26.6] JG: Yeah. Well, right now, where I'm at is – I think of this in terms of the reason why we want to play the real estate game is to create lifestyle. So I'm with my family at the outer bands in North Carolina, I've never been here, it's unbelievably beautiful and I was just throwing a bunch of kids around in the pool and then I get out, run up, say yup, let's hit it, let's do the podcast, do some real estate and then I'll go back to throwing them in the pool again.

And you know, it's all about being able to design and create an extraordinary life and that you know, as my one of my mentors, the great Jim Rohn said that it doesn't happen by chance, it happens by design.

When you're looking at what you're going to do in real estate, right? It's all about like thinking about, okay, what am I really after? For me, my end goal was always passive income, that was it. Total all in, I wanted to create passive income so that I can do whatever I want when I want to do it.

I started doing business, entrepreneurialism back when I was 19. I started out in a nutrition company or as a distributor in a nutrition company. I was working out of my actually, selling product out of my dorm room and built that, took a couple of years to gain some traction but by around my junior year, I was making more money doing that by my college professors and was crazy, I got a C in marketing class, right?

I had a marketing million dollar business going. Still to this day, I just don't know, I don't understand what happened, what went wrong there. But when I got out of the college, you know, I just continued to build that business, it's grown over the years, it's still to this day an incredible opportunity business and that I was looking for a place to invest my excess cash, you know?

Robert Kiyosaki said in the *Rich Dad, Poor Dad* series of books. Build a business, create excess cash flow from that business and then invest it into real estate. That's when I started looking into real estate about four or five years ago.

[0:03:27.3] WS: Wow, okay. But you know, how did you have the confidence to jump into the entrepreneurial journey at 21. You know, you're in college, you know, you mentioned you're a

junior and you're making more at this business than your professor. But you know, I didn't have really – I wasn't raised around entrepreneurs. It's kind of eye opening when I started learning about just the possibilities, you know, that are out there.

What was that for you? Did you have a mentor or a coach when you were a teenager or what gave you – or was it just that you seen an avenue here to create some wealth?

[0:03:57.9] JG: My uncle was very entrepreneurial, he had three businesses. I mean, he had you know, farmed a 500 acres, he had a tent, table, chair business, he had an insurance business. He was wealthy. I mean, you know, when he passed, I mean, multi-millionaire. I think that he rubbed off on me quite a bit and then my mom, she taught me like the good old fashioned farm work ethic, you know?

She had all these sayings that she would like drill into me about how hard work pays off, many hands make light work and all these different sayings and so when I put the two together, it was just a really powerful combination, you know, I had the wealthy, rich dad, so to speak and then I had my mom that was giving me the fundamentals to be successful at a young age.

That's really probably how it all started. I knew that I always wanted to be an entrepreneur. I didn't know that it would kind of hit me that quick but when opportunity knocks like you got to jump on it and at that time, for whatever reason, I was just you know, it was just the right time, it's ready to go.

[0:05:06.2] WS: Wow. But you operated, I guess another business better than you, it was, what did you say? Four or five years ago that the real estate but I could do that you really knew that real estate was something you wanted to pursue?

[0:05:16.3] JG: Yeah, you know, it's a couple of very frustrating events that happened. I bought a stock and we're writing options and I was making really good money and it was in oil, actually it was called [inaudible], I was doing really well, my financial planner was – we kept writing the options on it and they kept making money and then one day it just dropped like a rock. It wiped away everything that we had just, you know, for all the games over the past 24 months.

Then, another episode happened where I bought a stock and knowing, I knew that the company sales were strong, I knew it was going to be some great quarter earnings call and another hedge fund manager called in on the earnings call. David Einhorn and he's noted notably for short and stock. He asked three questions that indicated that he was shorting the stock.

The stock plummeted and I just bought up a bunch of it and I thought to myself, what am I doing playing this game that where I have no control over any of these types of outcomes. I don't want to play this rollercoaster game the rest of my life, I just don't. I wanted to learn the game of real estate so that I understand that the variance level of power, you know, real estate works if you buy right and smart then you know, pretty well predict what you're going to make on that investment, of course, we know things are variable vacancies and maintenance and repairs and cap X.

Of course, we could also be predicting those and allocating for those in our future projections. So that when they do [inaudible], they're not like wow, surprise shock, right? I have all these expenses. I wanted to play this game to start because I wanted to have something more stable and that I could count on each month of being control of not be at the rims of somebody else.

[0:07:08.8] WS: Tell me about moving from those five investments to the 50. How did you grow, what was that thought process then and what was that timeframe like?

[0:07:17.3] JG: Yeah, I used a lot of different avenues, I did a whole equity line of credit and pulled out a bunch of funds out of our house that had gone up in value very quickly. I borrowed some private money from a couple of wealthy guys that I knew. I mean, I used to make good money in my own business so I use my own cash to but. Then I did a cash out, refinance so that pretty much on 15 units that I got all the money back out plus then some. I just used that to buy more properties.

It was just a combination of different things that I did and yeah, it happened pretty quick and then it was right around the time where I started buying up, that I started selling too because I was so excited about the returns. I started selling the properties as well as buying up my own portfolio and that created a lot of cash to where I was able to buy more, faster. You know, first 12

months I sold like five million in cash deals, transactions closed and that created you know, some nice income to where I could parlay that and we'll buy and hold.

[0:08:22.9] WS: Nice. You know, you grew your business quickly, you learned this real estate game, I've been getting out of the stock market and which I obviously think is a great decision. You know, what do you see now, you're doing a lot of turnkey and how do you see this business growing moving forward?

[0:08:40.2] JG: Yeah, you know, we definitely have tightened up our processes quite a bit over the last 12 to 24 months. When I first started buying up property, it turned out the original supplier like the first guy that I bought from and met in Indianapolis market, he turned out to be rather unscrupulous and so, it was just a lot of things that were hidden from us, there were fake leases, fake rents being paid out.

Rehabs that weren't really being done or done at any sort of quality. We had to end up going back and investing a lot of money back into those properties once the wheels came off, to fix the mess that we were given. Probably attracted somehow, right? I take 100% responsibility for everything that happens in my life, so I'm not going to blame somebody else, right?

But at the same time, anything that's bad that happens to you, I mean, you can turn that into a good thing if you look for it and you know, enough time goes by where you can look back and see what the lesson that you needed to learn. But really caused us to just look at our model and just really tighten it up to just to make sure that this sort of stuff never happens again. We do double inspections on all of our properties, we do one where you acquire the property, we do one once the rehab's completed and for two reasons, number one, to keep our construction teams honest.

[0:10:04.5] WS: They know what's going to happen.

[0:10:06.2] JG: You give them too much, they'll start taking it and then they'll start to kind of like, you know, do less and less quality of work so we want to make sure that, "Hey, look, hey guys, we know what you're doing, here you go, here's a third party independent factor. They're coming

in and they're going to show us what quality of work you're doing. If you want to keep getting jobs from us, these reports, when you're done that will look pretty darn good," right?

Then the other part of it is that we wanted to get ahead of the game with our investors and be fully transparent. Not every investor orders an inspection from us and we know that that is even in the past, that's even caused problems because then if the property, if something goes wrong later, then you know, they're going to come back at us even though they didn't order the inspection, right?

We want to make sure that fully transparent, they know everything about the property, third party independent, you know, like I said, independent inspector on our payroll and we want to provide that upfront to them so that when they buy the property it's a much more easier, more streamlined buying decision.

[0:11:08.0] WS: That's interesting to have the two inspections, that is something that we could even apply as returning units or you know, just even if it's not – like you said, somebody on our payroll to even have a third party that's going to go behind the contractor just to ensure that we've got what we paid for, right? If we're turning over, you know, a hundred units, 200 units then obviously, it's very repetitive.

But I can see just the sometimes, the value getting less, right? After that many units. We'll do other inspections but I like that idea of having a third party as well.

[0:11:46.1] JG: Yeah, it's really been a game changer. We always, you know, go back to the great president Ronald Reagan said, you know, trust but verify. That's what we're – we're trusting that you're going to do good work because we're hiring you but we got to verify exactly what you actually did.

[0:12:03.3] WS: Tell me about your team?

[0:12:05.6] JG: Yeah, we have – okay, there's two partnered companies so there's High Return Real Estate, we're the sales and marketing and we provide all the financial capital too be able to acquire all the properties.

Then, in our job is really to market and sell the properties and then Urban Haus is sister company, those two are – Shecky, Jeff Schechter, AKA Shecky — I think he was on your show. He and I are the partners in High Return Real Estate and then we definitely have very distinct personalities which is awesome like we complement each other very well.

Then Urban Haus, Property Management Group, they do all the acquisitions, the rehabs and the property management. And so the two of us, we're totally intertwined, I mean it might as well just be one company because we're producing and selling the product all together as one team.

Then we have two office girls and then we have eight construction teams that we deploy out to rehab properties and to do maintenance. So it is a pretty nice operation. I mean not a gigantic company but you know we can definitely, we are producing anywhere from right now 10, approximately, new properties per month.

[0:13:18.6] WS: Wow that's a good system if you are doing that many. So did you all know that you had this complimentary skills before you partnered?

[0:13:26.2] JG: Well, you know, Shecky was my digital marketing coach for my nutrition company. That is how we first met. He was in Austin and I live here in Michigan and we met through some Facebook advertising where there were marketing their companies, consulting and digital products. So I got to see the way his brain thinks and I knew it definitely was more systematized, more procedural and more organized and he is very in tune to details.

My personality is more like, what do they say, ready-fire-aim? I think I fire and then I get ready and then I aim, right? So I am just like, "Let's go, let's get this done," and it's not — I think much more like he thinks big picture but I can see maybe how all the component parts of the whole picture kind of come together and the personnel, I put together almost all the team together that we have currently.

So yeah, it is pretty phenomenal partnership when you can complement each other like that.

[0:14:32.8] WS: Yeah, I agree very important. Very important that you don't have the same skillsets. Yeah awesome. So what about as far as being able to grow, are you all happy with your growth where you're at now? Are you planning to do larger deals? Are you planning to increase your team? What does it look like years down the road?

[0:14:49.0] JG: Well how much money is enough? Just a little bit more. How much growth is enough? Just a little bit more, right? So yeah, we're definitely not satisfied by any stretch with where we're at. We understand in this game like systems are, in order for us to scale, systems are everything, you know? So that is what we are really trying to dial in even more is when you have two different companies still that are working together, you know we are not always dialed in together.

So we're just really trying to work at how we dial in so that it is a smooth, seamless transition from each of these stages of the property, post-sale issues that are come up inevitably on properties to take care of our investors. How is that going to — continually trying to strive to provide a more seamless experience for our investors and we keep getting better. Just last week, we hired a VA, Jade. She's incredible, she calls all the tenants in C-class, which you need to stay on top of C-class tenants.

They definitely need a little more handholding than some of the other tenant classes and then there's an incredible yields in this particular class, which you really got to be on top of collections. Well she calls and texts the tenants every single day if they're late until they pay and that's our collections — best they have ever been since she started.

So we are looking at things you know just like that that we can do that we can add in pieces to keep getting it better. But overall, I mean our goal ultimately we want to be at 20 deals every month that are completed, gone through all the processes, at least stop performing assets and close transactions and we got a long way to go to be able to hit that.

[0:16:38.1] WS: Wow, you know I was going to ask you what's a way that you have recently improved your business that we can apply to ours. But maybe you would say hiring that VA. But you know, is there any other way that you would improve your business or anything that's been a big help or game changer recently?

[0:16:52.1] JG: Okay, so we instituted a 32 point checklist with our rehab teams. But better than that is that they all have an iPad. So when they are out on the field they just check the iPad off, of what the scope of work that they did on the property and then once they hit complete automatically uploads that into our investor folder.

So now I mean, getting sometimes pieces of information out from the field especially contractors that can be like pulling teeth. I mean it is very – so it doesn't sound like it should be difficult but it really is. Because I mean they're all solving problems and they're grinding and that you know they're a myriad of things that are throwing happen throughout the day. I get it but at the same time, in order to keep the funding going and to sell properties we need this piece of data right?

So we were just trying to figure out how to get this flowing more seamlessly from them in the field to us in our investor folder. So that boom, we can submit that and be transparent to our investors. Because they all want to see the scope of work what was done to the property. You know, what am I looking at capX wise, right? So that was another I think pretty small but, you know, significant type of change that has really helped.

[0:18:14.7] WS: Is there a specific program you used to do it electronically and it automatically share it to a share draft?

[0:18:20.2] JG: Yeah, it is a program called Monday. It is a software –

[0:18:23.9] WS: A task management software.

[0:18:25.2] JG: Yeah, exactly task management, you're right and it just – I don't know the tech side. That is Colin's side of it so he programmed it somehow to where it just uploads right into that system and I don't know how he does it. It is like magic to me so.

[0:18:38.7] WS: As long as it works, right?

[0:18:40.1] JG: As long as it works that's right.

[0:18:41.5] WS: What is your best advice for caring for investors?

[0:18:44.5] JG: Well I think that we look at this game as we know that ultimately, that the investor ROI — that's what matters, right? They want two things in investor. They want number one, they want the ROI as high as they can get it, right? They want consistency with the ROI. They don't want a massive up and down and we get it. We understand that. We feel the same way, that is what we want to deliver and then they wanted communication.

They want to know like what's going on if anything that's going on their properties, right? So you know, we are hiring additional staff in order to beef up communication. You know we are instituting in addition to like what we talked about with Jade doing collections, implementing other procedures to try to improve and smooth out the performance and we are upping the parameters of all of our tenant base in terms of what they need to do to be able to qualify. To be able to rent out our properties.

Again, in C-class. You can't be too strict or your property will sit vacant for months. So there is a fine middle balance that you got to really make sure that you are cognizant of and that you're playing the game in the middle. Not letting in any warm body but not expecting a perfect credit score either, right? And then ultimately I think if you care about the experience of the tenants, you know, then the investors will actually will be taken care off.

So everything goes down to making sure that the tenants have a good quality, functional property that you are top of them for making sure that they hold them accountable to pay their monthly rent and if he tenants are happy and they're getting a functional house that's nice to live in, they are going to keep paying their rent, boom, investor ROI is going to be consistent. They are going to be happy, everything works, right? So we have two clients, we really do. We have tenant clients and we have investor clients. So we have to balance you know the needs of both.

[0:20:44.0] WS: That's right and so Jack, what's the number one thing that has contributed to your success?

[0:20:48.9] JG: Teams. So both companies, nutrition company did, we're probably on track for 12, 13 million in sales in that business this year. That does about a million plus a month in sales

and the whole key to that is the team I put around me. They are awesome people and all of them had different skillsets, personalities, competencies in other areas than me but really, I think in High Return Real Estate and what we've put together in this company is the team.

And so I feel like there's a lot of things I am not really good at that I don't understand how to do. I am not technologically inclined. But I know how to put the right person, I feel like, in place to get the job done. So you've got to be able to have, look at all the different component parts of what your team that you need to have and then empowering them and giving them the latitude to do it what they do best.

Also making sure that they have financial compensation or financial – the reward is going to be worth the effort that they put in to be part of your team. So yeah, teamwork, all the way. That's the only way to scale a great company.

[0:22:01.1] WS: And Jack, I really appreciate your time today. You've been a fantastic guest but before we go, tell the listeners how they can learn more about you and get in touch with you.

[0:22:09.3] JG: Yeah, our website is highreturnrealestate.com. It's got everything about our company. We put some videos on there actually we've just recorded a new webby that explains the overview of what we do. If anyone is interested in looking at the properties that we offer, we typically as of right now of this recording it could change as the market continues to get more and more competitive but our properties aren't typically netting out around 10 to 11% cash flow.

That is on a pure cash purchase not with leverage, obviously with leverage we know that will be boosted significantly. So we provide that's what we call High Return Real Estate. We are providing high returns to our investor base and yeah, so if they want or interested in looking at our properties, go book a call with Nicole. She is the head of our investor relations and you can find her right on our website and book a call right there.

[0:23:04.2] WS: Awesome, thank you again Jack. I appreciate your time today.

[0:23:07.6] JG: Thanks so much for having me Whitney. It is a pleasure to be on your show. Thanks so much.

[END OF INTERVIEW]

[0:23:12.3] ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Lifebridge Capital. Lifebridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Lifebridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success

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