

EPISODE 514

[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 Bosch. Thanks for being on the show again, Jack.

[0:00:32.3] JB: Thank you for having me. Excited to be here.

[0:00:34.5] WS: Good, I'm honored to have you back on the show and a little about Jack. He's an immigrant from Germany who came to the US with pretty much nothing. But in a matter of six years from arriving in the US, and 18 months from getting into real estate, he and his wife Michelle, built a system and process that made them seven and then eight figures. Now they flip lots and land by purchasing them for literally pennies on the dollar and flipping them for the same or better profits than houses.

Jack, I look forward to getting into that a little more and you're just telling us a little more about what you do and then what else that's helped you all to do in seeing just a long game and long picture. Keeping that in mind, what that's done for you all. But give the listeners a little more about you know, yourself and then let's dive into land flipping a little bit and what that's set you up to accomplish.

[0:01:20.5] JB: All right, absolutely. Land flipping and then how we use the money we make, we use actually for syndication for ourselves and use it to invest in multi-family. Yeah, a little bit a

background, my accent as you mentioned, I'm originally an immigrant. I'm from Germany. Came here about 23 years ago going on 24 years ago. I still can't seem to get rid of my accent but neither can Arnold. Arnold Schwarzenegger still has a worst accent than I have. I guess you could become governor with that. There's hope. I came over here just literally for a one year exchange program to finish my college degree, fell in love with the country, fell in love with a girl who is now my wife of 18 years. And we're married, we work this business together, we do everything together, we're 24/7 together.

I know it's weird. But we love it. I have 12-year-old daughter and have been in real estate since 2002. As you said, build up this weird niche of land flipping. The funny thing is we're, at our heart, cash flow investors. We pick land flipping because we identified the real estate but at the time, everything was too complicated for us because we didn't understand, we didn't know anything about real estate.

We picked land flipping which by the way is the exact same as house flipping just without the hassle of the houses and much less competition, almost no competition. We picked land flipping or we stumbled into land flipping because it just worked without having to know that much of our real estate. Through the process of flipping, first, a few deals, then more deals then hundreds of deals and now we're up to over 4,000 deals, we learned a whole lot about real estate, we learned the terminology of real estate, we were able to pay off our debt, we were able to get ahead, we're able to start living the dream and we started also realizing that there is a cash flow path on land flipping.

Because a lot of syndicators, a lot of people go again to multifamily because they want a stable cash flow. Well, we figured out how to make that stable cash flow work in land flipping by actually selling a lot of our properties with what's called seller financing. Basically, allowing the buyers to give us a down payment and they'd make monthly payments.

We built that up to a very high five figure cash flow per month, so almost a six figured cash figure cash flow per month over the years and now we're able to remove that money that we make from that and actually, as we're looking to potentially retire sometime down the road from land flipping, I mean, I think are going to do it for another 10 or 20 years because it's fun. But we're moving so the cash over into other cash flow sources and the cash flow from land flipping

into other cash flow sources and that's our object of choice as multifamily properties that we can just either optimize, again flip after five years. But then ultimately, just invest our own money and to keep those things for like the next 30 or 50 years.

[0:04:02.3] WS: Wow. I want to get into that a little more and I wanted to back up and I wanted to know maybe a couple of things that helped you to establish this kind of business. I mean, coming to the country with pretty much nothing is what your bio says, you have pretty much nothing.

Now you all have established an amazing business and have been very successful. But you know, we're a couple of key components there that helped you all to stay on track and to stay motivated and be able to build a business like this?

[0:04:28.0] JB: Yeah, what enabled us to stay on track was kind of strange to say. But pure pain and I don't know if it comes across wrong but we now teach this to land flipping. We have students come to us. We have conversations. The common theme that I hear again and again which is still to this day, shocking to me is that even people with high income, live a life or particularly often people with high income or I really draw throughout all the incomes, they live a life of comfortable misery.

What I mean by that is that their paycheck that they're getting through whatever they're doing is high enough to make them comfortable and comfort is the worst place you can be if you want to create something new.

What really got us going was that we weren't making much money, I mean, I might take home money with \$2,600 and I just bought a house, we had just gotten married, we had two cars and a house payment and means there was nothing left.

300 bucks left at the end of the month in order to go grocery shopping and partying or so as a young guy, right? There was literally almost nothing left. What got us going was the pain of not being happy in the job, not being happy with the role that I had, not being happy about not being able to quit my job because I was in a green card process where if I would have quit my job, I would have 60 days to leave the country or find another job.

Because, if you don't find another job that sponsors that visa again, you have to leave the country. The pain of not making much money and what we did is what got us going is that staying where we were, was just not an option. It became so painful that every time you look over your shoulder and it's like, "Is that what I want to do for the next 20 years?" You're like, "Heck no. Let me do something else."

Even though we were comfortable in the sense that our bills were paid, our things were paid, it's almost artificially started focusing on the negative in our lives, in our outside lives. But that is the thing, a lot of people focus on the negative but only complain.

I think the difference is, we focused on the negatives in order to make it to fuel to propel us forward. That's really one of the things that kept us going. Every time we were like, "You know, this didn't work out and it's like, yeah, but that means we have to be stuck in this." No. let's try something else. And then we just stumbled into land flipping because it was the simplest version out there, there was nobody doing it, there's no competition.

The first piece of land we bought for 400 bucks and sold it for \$4,000. The next piece, we bought a piece of land for \$1,800 and sold it for \$8,6000. Right now, we just bought a deal for two properties for \$32,000 each but they're worth \$150,000 each.

We paid \$64,000 for something that's worth \$300,000 so even if we sell it for 180, we'll make close to \$120,000 in that deal. And then all these cash flow when we started selling with seller financing, that started building up and very soon, we were rolling in the deal would happen every two weeks or so. We did 63 deals or so in the first year so it's less than a deal a week or more than a deal a week.

You don't need much more motivation at that point because cashing coming in left and right and you're just like, "When can I quit this thing?" I was able to quit it when I got the green card which happened to be just about half a year after we started this business.

[0:07:46.1] WS: I love how you're talking about you know, focusing on that pain so it keeps you motivated, keeps you driven.

[0:07:51.7] JB: It's not a long-term motivation, pain. But it's a very good short-term motivator.

[0:07:55.3] WS: Did you have some training or a mentor or a coach or anybody like that or did you have to sell your house or do anything like that or is it like you figured out you could do this land flipping and you all were able to make it happen?

[0:08:06.5] JB: I wish I could have taken a mentor because nowadays, anything we learn, we always pick the best mentor that we could find in the country and pay whatever the price is, Michelle, my wife does coaching, that she pays her mentor \$60,000 a year without blinking an eye and just from a few things we learned there, our business has generated another \$700,000 just in the last nine months from that. It's a no brainer, every time we took a mentor, if you focus on it, if you do it, it will always pay off.

Unfortunately, there was no mentors around back then, right? There was nobody doing land flipping, there was a few people around the country doing that, everyone's sticking to their own and so we had to figure this out ourselves which is why it took us three years to figure it out.

We didn't had a mentor. We didn't have a thing to do it but the nice part about it is that, because when you send a direct mail with our method, your response rates are about 10 to 20x higher than they are in the houses so we're getting between a four and a 15% response rate on a simple letter that we send out. It's a well-tweaked letter, it's a tested letter but it's simple letter nonetheless and so we're getting, let's say, four to 15% average return on these things depending on the area of price range.

You don't need to spend the fortune on marketing in order to be able to get some deals. And as I said, the first deal only cost us \$400 and then we literally, the guy across the street walked over and bought it right in the moment from me for \$4,000. At least about a handshake and then I send them by email and the details and then he signed it and two weeks later the deal was closed. We really very quickly, in a matter of like once we figured it out, a matter of like two, three months, we're in the profit zone On that business.

No, we didn't have to sell our house. As a matter of fact, we paid our house off in two years. It was a starter home, there wasn't like a million-dollar home at the time. Later, we bought a million-dollar home and paid for that thing cash. So, we didn't have to go into drastic measures because it is a method that allows anyone to really get started with a low amount of cash, get free from the things that they don't like in their lives and then use that cash to then defer the things.

For example, one of our students that actually is a mentor in our organization, a coaching organization now because we do offer coaching now. Obviously, these, the story during this business and just in the second year, he made \$800,000 in his business and he's in his third right now, he's tripling that one more time and he's on track to do 300 deals in a year and probably make about three million dollars. And then his end goal is take that three million dollars and go buy himself a 10 million dollar syndication apartment building with and do that once a year with the money he makes from the land flipping and within five years, he owns I don't know, a thousand units, with no other investors in it.

He cash flows, a million and a half to two million dollars a year just passively for the rest of his life.

[0:10:54.2] WS: Nice. You know, after you've created this business, you've been flipping land and just very successful. Congratulations by the way, it's impressive. How did you determine like you know, multifamily deals or syndication to invest in now, to keep thinking through, growing your wealth?

[0:11:10.9] JB: Didn't do the direct jump. I wish we had done the right jump but I'm actually glad also on one hand, we didn't. Because, we again, even after having done like 2,500 deals at a time, 2007 came around and our market switched a little bit. That means that we were doing business one way for the land flipping but then the market switched a little bit so we had to change the way we did business. We used to do a lot of land auctions where we sold a lot of piece of land and land auctions.

But then, 2007, that market went away and we had to reinvent ourselves and we started selling these properties online, these land flips online. In the process though, we started realizing that

in the process I put my head up because we were like five years, our head was down, we just flip, flip, flip, flip, just make a bunch of money, create a bunch of cash flow and just get in line, stay in line, just stay focused, no shiny pennies, nothing, just –

There's something that works like crazy. Let's make it work. We done looked around and we realized that our business continues working. But when we started talking to other people, we started realizing that real estate market was in shambles and that America was for sale.

Most people, we talked at the time were house flippers, they were bleeding, they were losing everything. But we realized that you could buy houses that were previously \$200,000 houses for \$35,000 now. We had all these cash flow coming in. But the issue is, we still didn't know much about improved property because we had gotten, we became the master of flipping land but when you're flipping land, you don't have to deal with tenants, toilet, termites, no mortgages, no mold, no repairs, no roof repairs, no foundation repairs, no contractors, none of that stuff.

We were still not terribly knowledgeable in the improved real estate world. We decided with America being on sale to dip our toes into water. But dip our toes in the water with something that to us had absolutely no risk of losing money which is buy a \$200,000 house for \$35,000 and that house runs for \$80. Just does – every way you slice those numbers; it just makes sense.

[0:13:16.6] WS: Right.

[0:13:18.2] JB: Okay, let's go in. We started buying as many houses as we could afford and we bought a total of 40 something houses. Almost 50 houses, all cash, no mortgages, we just paid for them and from the cash flow from the land. And then we started realizing, after building a portfolio in Phoenix, Arizona where we live, prices started going up rapidly again which was great but now, the deals didn't make as much sense anymore.

The property throws off \$900 rent but cost \$150,000, it doesn't make that much sense anymore. We started looking at other markets and that forced us to actually start to really put in place, business systems and allow us to manage these properties remotely, just as well as we

managed the ones here in Phoenix. Once we got comps, we built the portfolio of houses in Cleveland, Ohio on a portfolio of houses in Omaha, Nebraska.

Basically, after that experience of having now three sets of portfolios, that all doing really well without us ever going to visit them as a matter of fact, I haven't been to Cleveland for like probably three years so I haven't seen any of these lots, any of these houses. But they spit out cash with it doing really well, same with Omaha. We realized that we don't have to be afraid of it.

Now, first of all, we learned what it cost to rehab a kitchen, how to work with contractors, how to manage something remotely, how to property manage. We learned all the details of that stuff to that process but then we said, "You know what? In order to get to the number that we want to get, we can keep buying the ones by one or we could do a step up and we can go buy the beer apartment complexes," which actually come again with less hassles than as far as small single-families because the small single-family, every time an AC breaks, then it's \$4,000 because they're going to go replace the AC. On a multi-family, you have a property management company as you know that has a full-time manager in place and a fulltime air conditioner certified maintenance guy in there and he is going to fix that air conditioner and it's going to cost 150 bucks instead of a \$4,000 replacement on a unit.

And you can't by addressing the numbers and that income create more value and so on and so we started really liking that and that is how we done it and made the switch. But first, we needed to gain more confidence and more capability by going into single-family market and really mastering that also on a remote basis.

[0:15:35.4] WS: Nice but that push you into multi-family and tell me, what does that look like now, your focus as far as how you're investing in multi-family?

[0:15:42.9] JB: So, the first three properties we focus were basically C-Class properties in BNC areas that are either too high expenses like one property we bought. The expense ratio was at 60% and we know that is too high. So, we dropped that down 50% debt, freed up a \$100,000 a year and raised the value of the property by one and a half to \$2 million depending on which cap rate you use.

The other ones are some said we needed some more upgrades all of them had some value through upgrades and rent bumps in there and then we do a lot of community creation by doing events for the community or in one of our properties we offer free tutoring for the kids in the property who are nearby college students that needs some extra credits. So, families that value education tends of be the families that have better income anyway and it's a great supervision.

Plus, the kids are in the supervision in the afternoon. They don't go around the property vandalizing stuff or doing stuff. So, it is a good combination but we are changing our approach right now, we are looking for properties, which are basically the easiest description is the ugly duckling in an A or B area. So, if we can find the ugly duckling in an A or B area, we are screaming halleluiah. It means we are ready to do higher. Again, it is a learning process where now we have done some significant rehabs.

Some significant improvement CapEx projects on some of them. We're now ready to step it up and if we need to do some larger CapEx projects, we are ready for it because the area through bringing the property up to the standard of the area.

[0:17:04.8] WS: Are you investing mostly passively with other operators or are you all operating those multifamily deals as well?

[0:17:10.0] JB: We are only active. We don't have any passive money with any other operators. We find the deal and analyze and underwrite the deals. We qualify for them. We have now the deals that we have where we have got a deal approved with Freddie Mac or Sallie Mae. So, we have the Freddie and Freddie papers. We have the net worth to qualify for significant size deals. So, we don't really need KP's or things in there. Other people in there that they are bringing pieces in place.

We do syndicate with investors on that and then typically get the typical referred return depending on what property is this and a nice piece of the backend that we share with them and that is kind of a typical scenario there. But we are the active people in the deal. We're going slowly, we don't buy many properties because it is not about volume, it is about quality.

[0:17:53.5] WS: You've created this machine of land flipping and creating all of this income and now you are taking your time learning this other investment vehicle and we are here to create more wealth as well. I think it's incredible.

[0:18:03.6] JB: We do work too hard for our money to squander it and if we let an investor come into our deals, they worked too hard to let us squander it. So, we are not going to squander anyone's money. That is our number one thing and that's just right there. Any deal that is in remotely on the bubble is, "No, that's too skinny for us." We need to make sure we are 100% sure that everyone that invests with us not just gets their money back but also makes a good return.

[0:18:27.5] WS: How are you all prepared for this potential downturn that everyone is talking about?

[0:18:31.6] JB: Well I think the best way to be prepared for potential downturn is a lot of cash in the bank. So first of all, our properties are in areas that we like for example, a lot of people don't like it but we like being somewhat close to a military base. Now we like that because of the stability factor. In a recession, the last thing the government is going to do is cut down on the military because it's just going to go and release a whole bunch of people and bring the unemployment up. And they want the unemployment to show as low as possible.

In an expansionary time period, it doesn't matter if they do that because they're good. Two of our properties – We only have currently three properties but two of the three are within a short distance from a larger military facility that is actually expanding. So, it is not the little small ones that might be killed in a recession. It is the ones that they move the stuff to.

So, we're in Oklahoma City, close to Tinker Air Force Base. We just got a huge contract from maintenance of even other kinds of airplanes. We're [inaudible 0:19:29], North Carolina where there is a big, huge, Fort Bragg – the largest military facility I think in the world and so on. And so, but then also that gives us a little bit of buffer because if there is a downturn, still they are going to keep all their employment, which buffers us a little bit.

And then secondly, we underwrite our properties such – At the end of the day it comes that down to how are you buying these properties. And if you buy them right then you are not speculating on a whole bunch of rent growth. So, I cringe when I see people that buy properties in some A markets and I wouldn't know which markets with an expectation of a continuous three to 5% rent increase over the next five years. That is a really important basis for their investment in the first place, I cringe.

What we do is we expect a zero to 1% rent increase in our properties. We only buy some where the rents are here so all we need to do is we can get the rents up to the current market then we are doing really well. Any future rent increases is a bonus. So therefore, just our underwriting protects us from that some more because we just don't want to be in the future, I don't know what the future brings. I mean look it up, look at the downturn, look at the coronavirus, look at other stuff.

It's not expected to affect the rental rates. Because if it is a temporary thing which everyone expects then people are going to hold onto their place to the temporary move but it's a black swan event that nobody could possibly predicted anywhere and it's affecting the world. So all we need to do is we just keep our rental rates steady during that time period and then the worst case scenario is that we reach our final financial goal, our five-year goal, perhaps half a year later and I think everyone of our investors will be very happy with that still.

[0:21:12.8] WS: Right, I appreciate you elaborating on that. It's an incredible answer and Jack, you and Michelle are the machine you all built with the land flipping, I know you all have to be really good at building teams and processes and things like that. But I'd love to know a way that you all have recently improved your business that we could apply to ours.

[0:21:30.0] JB: Right, so one of the things that we do is we follow the management principle. There is a book and I am looking at it right here, it is called *Turn the Ship Around!* and I can't see the name of the author right now from here and I forgot there is another book covering part of it. It is a United States Navy Officer that changed the least performing submarine in the Navy within one year it went to the best performing submarine in the Navy.

And the way he did that and the way we constantly do things and the way that even this week and the last few weeks we worked on changing some, doing and adding some changes of things to our coaching program in our educational business and I hired a virtual assistant that this additional work to assistant for our land flipping business, the way we always do that is that at the end of the day, my goal in the company is to ideally never make a decision ever again.

Because I want to everyone else to be able to have the knowledge, the training and the capability and confidence to make those decision, which really now frees me up. And that is a common goal. Sometimes it runs beautifully and then a new things comes up and everyone looks at me and then I have to have the discipline to say, "Hey, you guys know where we are going?" My number one job is to show the direction of the company.

"Here is where we are going and here is the culture of the company and here is why we're doing this and here is how we want to impact humanity with this, how we are going to change people's lives with life with our trainings, with the home study courses, with our coaching, probably want to change people's lives by taken the burden of property ownership off them, how are we going to provide great housing for people."

And bring that culture and that vision into people. When you have the people that buy into that then they are able to make the same decisions you would have made yourself in 95% of the time. So, if that is the case, why the heck do I need to make a decision?

[0:23:16.3] WS: Love that. I am trying to teach my five and six-year old there right now.

[0:23:19.9] JB: Well they don't have the frontal lobe developed yet in order to be able to do that. So that is a different thing. So, that'll only come in their 20's but when you have a team and you have a great type A-class A-player team then the worse I think I can do is restrict them in what they want to do. So that we give them the parameters, we give them the outcome, we give them some rules and some guidance around it and then we just tell them, "Go! Do!" and the outcomes are beautiful.

[0:23:47.5] WS: Wow, tell me a way that you're finding investors right now?

[0:23:50.4] JB: Well, we have a lot of investors and a lot of people that follow us through our podcast but also mainly through our educational platform to that and we teach our land flipping. There is a combination of people that again, they may have very good income but they are in that comfortable misery and they're like, "Okay, I can invest with you and I get a cash flow and that helps me get to the point of being able to quit."

They are also using our land flipping method bringing it themselves, making six and seven figure incomes and as a result that you apply some of that and invest with us. So, a lot of it comes just to people knowing us and people being on our educational platform. But also it is just friends and family really. I don't even tell anyone anymore. We almost bought a deal. It fell apart in the last week of escrow because they found an environmental contamination on the property. And this is just not what we want to purchase.

And for that deal, we wanted to raise \$1.8 million. We basically sent two emails and the money was raised. So, we don't really need expanding out there asking for money and things like that. I think at the end of the day comes down to who do you stand for? Who are you? and people can tell if somebody is like weasely, is a weasel and doesn't follow up on their stuff and doesn't do what they said they would do. Or somebody pays their investors even if you lose money yourself.

In one of our deals we had a rough start, rougher than expected a couple of things went wrong and we inserted \$100,000 of our own money into the property in order to be able to continue to pay everyone. So, people know that so it raises their comfort level. So, they are in it for the next deal and they also tell other people about it.

[0:25:23.4] WS: That speaks volumes for sure. How do you like to give back?

[0:25:27.0] JB: So, we give back in multiple ways. First of all, we give back obviously by teaching people what we do even on the podcast even for free and then things there's lots of free sessions that we do and free five-day classes and video classes and all kinds of different things. That is one way to give back because we could have just kept quiet about our land flipping method and just continued to do a few million dollars a year and just live happily ever after. But there is no competition and so we can teach this.

But then also we just actively give back there's a charity and my wife Michelle's home country Honduras, Central America, where there is this Swiss guy that runs a school for the poor with like eight or 900 kids. It is K to 12 where at graduation they come out of that school bilingual with a degree from really what is now the best school in the district and on top of it, it is a vocational school that come out of there with a profession.

Which literally takes them out of poverty because that thing Honduras is like without the 160, 70 countries in the world that's number 135 in poverty with like the US probably being number one, this is 135. So, it is one of the 30, 40 poorest countries in the world. And so, we just give cash in other words. We figured out I will never be the guy running an orphanage. That is not what I am made for, right? Neither is Michelle but what we can do is we're really good at our super powers perhaps, just figuring different ways to create profits, to make money and in a way that everyone is happy and everyone wins.

So, we focus, we double up on that so that guys like the guy in Honduras can run his school better with parts of our donations.

[0:26:59.5] WS: Wow. I appreciate you sharing that Jack even if we are not the ones who's going to run the orphanage or whatever it may be, we can help give or help use our super power like you're doing and give in that way that's incredible and I appreciate you just sharing more about the land flipping business and your process to getting to even investing into multi-family.

But tell the listeners how they can get in touch with you and learn more about you all and the land flipping business.

[0:27:21.3] JB: So the easiest way is to just go to the website, Land Profit Fun, fun like having fun, Land Profit Fun and there you can find some free videos and things like that and then also another way is we have a Facebook group and the Facebook group is actually we're having coming up in a couple of weeks. I think it is another three- or five-day free class where we give you exactly the steps and create that momentum to get people to go and it's completely free.

And you can find out more about that in the Facebook group, Land Profit Generator Real Estate Group. So, Land Profit Generator Real Estate Group. And then I have a podcast too. I mean my podcast is The Forever Cash Life Real Estate Podcast and because it is not just about land flipping. It's all kinds of methods that create cash flow and ideally cash flow for the rest of your life like forever cash.

[0:28:11.6] WS: Thank you very much.

[0:28:12.7] JB: Thank you for having me.

[END OF INTERVIEW]

[0:28:14.1] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

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