

EPISODE 521

[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 Gabriel Hamel. Thanks for being on the show, Gabriel.

[0:00:32.7] GH: Hey. Thanks, Whitney. Thank you for having me on, I appreciate it.

[0:00:35.3] WS: Awesome, a little about Gabriel, the real estate investor whose passion for real estate business and financial freedom has helped him to amass a multi-million-dollar real estate portfolio consisting of single-family homes, multi-family apartments, commercial real estate and mobile home parks.

From humble beginnings, a book on real estate and a strong desire for financial freedom, he set out to find creative ways to start purchasing income producing investment real estate. He's a strong advocate of financial literacy through self-education. Gabriel, thank you again for your time and being willing to share your expertise with the listeners and myself but give us a little more about what you're up to, your focus and then I'd love to dive in to just your focus on this financial freedom?

[0:01:19.4] GH: Yeah, absolutely. Gosh, let's see, we can go back to say 2002. I read *Rich Dad Poor Dad* for the first time and it just opened my mind to some other possibilities. Academia, college was definitely not on the forefront of what I wanted to do and it didn't make sense for me. And so, after reading that, I just got set on, "Hey, I'm going to build some wealth and create some financial freedom through investing in real estate."

Shortly after that, I was deployed to Iraq in '03 and '04 and so often times, over there, I thought about you know, lessons I learned in that book and came back in '04, got out of the military in '05, bought my first house in '05 and that was kind of the start of it.

[0:02:01.6] WS: Thank you for your service.

[0:02:03.4] GH: Absolutely.

[0:02:04.0] WS: Yeah, I was in Iraq all of 05, we just passed each other, I think.

[0:02:07.0] GH: Okay, what branch were you?

[0:02:08.3] WS: Army.

[0:02:09.4] GH: Army, okay.

[0:02:10.3] WS: You?

[0:02:10.7] GH: I was also army. I had joined the Army National Guard in an infantry unit in 99 and I got a call in 03 and five days later I was gone.

[0:02:20.6] WS: Well, thank you gain for your service. You came home, tell me what you bought in 05 and let's kind of quickly go through the progression to scaling and what you did to gain this financial freedom?

[0:02:30.5] GH: Yeah, it was an interesting progression. So, 2005, I go to the bank with really no money or a job and this is during the subprime and the bank said, "We'll give you a loan," and it was a no money down loan, I rented out two of the bedrooms and the three-bedroom house, I rented out two of the bedrooms and lived for less than I could have lived anywhere else.

2006, I opened up a small nutrition store with a friend of mine and went back to the bank in 06, they gave me another no money down loan and I'm thinking, this is too easy, no money down, banks are saying yes, and there's not a lot of paperwork and I do the same thing in '07. That time, they wanted 5% down which still seemed pretty reasonable. I'm thinking, "This is easier than the books, this is – I'm just going to keep doing this once a year."

2008 rolls around, I shut my store down because it wasn't making any money, my first son was born and I started working for odd man jobs, really minimum wage type jobs and I went back to the bank and said, "Hey, I want to do this again."

They said, "Slow down, guidelines have changed a lot, you actually need a down payment, they told many of 30%." I had been spoiled with no money down loans, I didn't have 30% and they also said, you need years' worth of income and tax returns and showing that you can qualify for a loan.

Guidelines change a lot from say 2005 to 2008 and I wasn't going to let that stop what I wanted to do. So, I did take, I continued to take on some odd man jobs and in 2009, I bought my first two duplexes side by side, four units and that was with seller financing and I quickly realized just the advantages and power and the win/win scenario for the buyer and the seller using seller-financing.

The cash flow from those four units, replaced the income I was making at my job. Now, I wasn't making a lot so it was a very obtainable achievable goal to say, "I will replace this income," and then find some properties to do that. You know, I spent countless hours and every night on Craigslist searching properties, knocking on doors, making phone calls.

Hundreds of conversations, hundreds of relationships and eventually found the four units that was able to replace my income and create a really nice seller-financing tool right there.

[0:04:37.5] WS: Nice, wow. Tell me now where you've come since 2009 kind of to where what your focus is now?

[0:04:46.0] GH: From 2009 all the way in this 2012, even in the '13, I really continued to focus on seller financing. And so, I did almost all no money down loans, I found sellers that understood the advantage of carrying the financing and so these were properties that a lot of times were poorly managed, under rented, had some deferred maintenance.

The sellers were just tired, they were tired landlords, great people. Most of the time they'd only asset for 30 plus years so they had already depreciated the value from a tax standpoint. They didn't have a loan so they didn't have the interest write-off. And a lot of times they were busy writing their own separate business or a different job and the real estate was a part-time thing and so they were just burnt out, they were landlord, they were maintenance person, they were handling turnovers and repairs and all that and so I was able to just create a scenario for these sellers. I did that all the way up to 2013.

2014 I refinanced a bunch of the seller financing deals and then continued to buy.

[0:05:47.5] WS: Nice, is that still where your focus is today?

[0:05:50.0] GH: Yeah, I really don't use any traditional financing whatsoever other than on refinances. Those first couple of properties, I don't know if you can consider those traditional financing being the subprime. But I do like to buy with seller financing and then later convert to longer term fixed financing, although sometimes, the sellers.

I do have sellers that will finance the deals Sometimes 15 to 30 years depending on what their needs are and that's really a lot of this really listening to what the sellers want and seeing if I can structure deal that gives them as much as they possibly want and still make the deal work for me.

I love the creativity of seller financing, it's different than the bank telling you, "Hey, here's the terms, here's the down payment, here's the interest rate." Seller financing really is as creative as you and the seller can get.

[0:06:35.3] WS: Love that, it's creative as you and the seller can get. Obviously, this is the Real Estate Syndication Show, it's seller financing is so – seems almost opposite, right? Of syndicat-

ing a deal. However, I love bringing somebody like yourself that's an expert in that so it helps open our mind a little bit to other options, right? Even just even understanding the value for a seller to seller finance can really help our just our lingo and the way we understand the benefits of a seller financing for a seller being able to talk through that so we don't close that options off.

And so I'd love to dive in a little bit to those benefits and us learning that conversation a little bit and understanding how to present that so it is a good option for the seller.

[0:07:18.4] GH: Yeah, absolutely. Initially, after I done a couple of deals, I thought to myself, "OH my gosh, this is amazing, I need to go educate all these sellers on why they should carry financing." After some reflection, I realized that every seller that carried financing, they already wanted to carry financing.

I've never had to talk a seller into it. I've never had to educate or convince a seller. Not saying that you couldn't. Every seller who has carried financing for me, they're typically men and women in their 60s and 70s. They generally have multiple properties. They've been landlords. They built a significant amount of wealth through real estate.

And then the reasons that they want to carry is they don't want to pay a huge capital gain upfront. They don't want that you pay them off, you pay cash for the property or go get a loan and they get a lump sum of cash, now all of a sudden, they're getting hit with the big capital gain right at one time. The sellers that want to do this, they're after income and so you've created this new level of passivity for them where without them being landlord, they still get a monthly payment, they get a check every month.

Say you were to pay them off, now they're left with a money problem of hey, not only are they hit with that tax but now they have to put that money somewhere. And you know, 60, 70 years old, a lot of times they're not going to want to put their money in a stock market. They're not wanting to go out and actively invest because now they're having to look for deals and manage property again.

It really creates this perfect scenario where you're giving them a level of passivity and security that's backed by a property, backed by an asset they're already comfortable with and it's just a

true win/win. It really comes down to relationships as I said before. A lot of these sellers have multiple properties and so, you show them that you're trust worthy and you do what you say, it's amazing how many times sellers will come back and say, "Hey, I'd love to sell you another property," and it takes away the competition of having it on the open market.

[0:09:03.4] WS: How are you finding those sellers?

[0:09:06.0] GH: My best seller financing deals, it's just true, genuine word of mouth, building relationships, telling people what I'm looking for. I've never done any kind of mailers or mass marketing or advertising at all. I used to think in up until recently that I at some point to scale, I would have to start marketing and I really haven't. I mean, the best deals have been off market deals through relationships and networking.

That's not only with agents and brokers but that's just telling people, "Hey, this is what I'm looking for." Early on there was a specific neighborhood and I was into small multifamily and so I told people, "Hey, I'm looking for small multi-family in this neighborhood."

Now I've moved in my focus is, value-add, mobile home parks and so I have a lot of those conversations and it's amazing how many people say, "Hey, I have a park that's coming up for sale or I know someone's selling that park, are you interested?"

It's just genuine organic relationships.

[0:09:58.0] WS: Is it only markets that's close to you or local or is it anywhere?

[0:10:00.2] GH: The majority of my stuff is within 15 minutes of where I live and my mobile home parks are about 30 minutes and an hour away and I never plan on just investing here. But, going back to just relationships and then also knowing the market. I know the sub markets is really well. I know not only, "Hey, here are the desirable town but here's the areas that people want to live." And I think that's really important to know the sub markets within the market.

[0:10:24.8] WS: Tell me about how the seller's protected? Do they have a lien on the property, how does that work a little bit?

[0:10:30.5] GH: Yeah, they take a first position lien most times, just as if a bank would. And so rather than go to Wells Fargo and get in the bank loan and wells Fargo having the first lien position, these sellers are taking the first lien position.

If you were to default, never have, never planned to, but they have security in the property. And then in most cases, you're improving the property, getting better tenants in there, getting better rents. And so, if you were default, they're getting the property back that they've already owned in better condition than they had it previously.

[0:10:59.1] WS: Nice, I know something you are passionate about it like building financial freedom and you talk about just time freedom as well and I love that. Just owning your time and I love to get into that a little bit, if you could elaborate.

[0:11:09.9] GH: Yeah. Really you know it was kind of a process. So, I was really focused on the financial freedom aspect. And as I started buying properties and the first several years, I am managing my own properties I realized "Hey, it's a lot of work," and I enjoy putting deals together. I enjoy that process and the creativity of coming up with a deal structure that works. I like analyzing deals but I didn't like managing properties.

At the same time, I had a friend that was starting a property management company. So, I started building up enough units where the thought was, "Do I want to create a property management company or do I want to hire out? And I am running the numbers but then I am also looking what's my return on time?"

And I am seeing this friend of mine having a deal with tenants and having to deal even more so with employees and kind of building this up. Now he really created this job for himself and so I realized, "Why do I want financial freedom?"

Why is it that I want that and I realized it wasn't so much about the money, it was more about my freedom of time. I want to be able to do what I want to do, when I want to do it, how I want to do it and that was really important to me. And so, when I started making decisions around that, I

just naturally went to, “Okay how does this affect my time?” my family is important to me, how does this affect my time with my family? How does this affect my time on my health?

How does this affect my time if I want to travel? All of these different things that are important to me outside of financial freedom. And so not starting my own property management company, I’ve never had employees, I don’t want employees that was a real big reason why I choose not to start property management and as I go into the decision with any business related deal and really just anything in my life I got right into, “Hey, how would this affect my time with the things that are most important to me?”

[0:12:42.8] WS: Love that. Yeah so, I mean we are all doing it and ultimately, I think for more time with the family or something that’s very important to us. But in the moment, we can get caught up with thinking we’re going to self-manage to save some money or whatever not realizing that, “Oh man the time commitment involved with that.”

[0:12:59.4] GH: Yep and you nailed it right there and I started getting in conversations with people and a lot of it was around financial freedom. But as I dug into these conversations and I was listening to people speak, I realize none of them were like, “I did this because I want a big pile of money. I want to swim in a pile of money.” It was always something different like, “I want to be able to contribute to the community. I want to be able to travel. I want to spend time with my family if my elderly parents got sick.”

It was always other reasons that people wanted financial freedom. And you didn’t have to dig very deep to realize that. I think it is easy to get caught up in creating something in a business where sure, maybe you’re bringing in a lot of money but not considering how does it affect your time or does this actually allow and give you the thing or the things that it is you wanted initially? The whole reason that you started building this business or creating financial freedom.

I think it is just important to reflect back and make sure that it does align with those reasons that you started it in the first place.

[0:13:53.9] WS: Where is your business going from here?

[0:13:55.9] GH: I want to continue to scale. Like I said right now I am focused on mobile home parks. I think there is a lot of opportunity there and there is a lot of sellers that are interested in carrying financing. I have noticed that as I have moved to some larger properties and into the mobile home park space and also into multifamily, you are dealing with a little bit more sophisticated investors. And so they really understand the advantage of carrying financing. So, it is just a conversation of hey, what would work for both parties.

[0:14:23.6] WS: So why not buy them out or syndicate from the beginning?

[0:14:26.7] GH: A lot of the reason that I chose not to syndicate, which a lot of times that is the natural and next path. I know this is a syndication show. I don't mean to offend by any means but for me personally it was again going back to how that affect my time? How much time would I spend on raising capital? And then I have this obligation of other people's money. That is a big responsibility, time and energy as you know.

And so, I considered it for quite a long time that felt like the natural progression of, "Hey, I have built up a lot of assets," and I have on the small scale apartment with a couple of people more recently a couple of years ago. But I've just chose not to syndicate for that reason. I think it would take up more time than I would want to do.

[0:15:06.7] WS: It is a syndication show but I love hearing why people don't want to syndicate as well and I want the listeners to hear that and have options just like seller financing and syndication is not the only way. So, I love hearing how other people are doing it too.

[0:15:18.9] GH: Everyone is different. I have friends and acquaintances that syndicate and they love it. They love the process. They love having a team and some people just love the grind. I mean I met people that have been financially free for years and they are going to work 15 hours every day whether they are financially free or not and they love that. That is just not me. And so, I think it is part of being self-aware of who you are what you enjoy doing. I definitely have friends that syndicate and they love the process, they absolutely love it.

[0:15:46.1] WS: So, Gabriel, what's been the hardest part of this process for you or gaining financial freedom in real estate?

[0:15:51.4] GH: It's been interesting because I was able to build financial freedom pretty quick. So, when I stopped working, I had a level of financial freedom. But I was far from wealthy at the time. And so, I lived very frugally for like a good decade where I was putting everything back into properties. I didn't own a new pair of shoes. I didn't have a new jacket. I mean it was very focused on going back into the deal and that was out of necessity.

And so, some of the challenges, "Hey I need to make sure that I am still staying true to those principles." But also, it is important to enjoy life and make sure that I am also benefiting and helping others and creating a life for my family that is fun and exciting and the whole purpose that I built this in the first place. And so, there is always that balance of, "Yes I want to go do amazing things." It's important to make good financial decisions.

[0:16:39.8] WS: How are you prepared for this potential downturn that everyone is talking about?

[0:16:43.2] GH: I get asked a lot all the time like do you think the market is going up or down, I don't care if the market goes up and down. And so, the market will go down, it will go up and it will probably go up and down multiple times in my lifetime. I started buying in a peak market and I bought in the down market. I think it is always a good time to buy, if you buy right. I don't speculate on properties in the sense of any deal I ever structured, it has to cash flow from the beginning.

And so, I don't care if my properties go up and down and up and down on value on paper as long as they stay cash flow positive. And so, the last downturn, I spent a lot of time buying and so I am prepared to do that again. The people that I've met that have lost a lot of money in the last recession it was on speculation. They were buying based on this property has to rent for more or this property has to be worth more and a lot of people got away with that until they didn't.

And so, yeah, I do speculate in the sense that I buy properties in areas that I know can go there is demand and the rent should be much higher and the desirable areas. And I think I can add a lot of value to that property and maybe refinance out of the higher amount. But I never put my-

self into a position where I have to make that happen for the deal to work. It has to pencil out from day one and all of the upside I look at as a bonus.

[0:17:56.0] WS: What is a way you have recently improved your business that we could apply to ours?

[0:17:59.4] GH: Gosh, recently improved my business, I don't know. That is a tough one, a lot of the stuff that is in place today are decisions I made a long time ago with property management or just automating different things. Yeah, I don't know if I had any great new –

[0:18:13.3] WS: All right, you got some good systems. So, tell me the one thing that's contributed to your success?

[0:18:18.1] GH: I think desire and execution. I mean I think not just me but with anyone. I mean I wanted it really badly in my mind. I wanted to create financial freedom. I wanted to do it through real estate. I believed I could and I encourage others like I want people to know it is not just the initial excitement and desire and dream of wanting it because I think we all kind of get that but you have to execute. You have to –

I mean yeah there are hard times and there is difficult tenants when I was self-managing years ago and there is all of these what if's could happen but ultimately if you don't execute on that desire nothing is going to happen. It is just that desire and motivation is just going to sizzle out and it is important to take action on those things you really want.

[0:19:00.4] WS: And how do you like to give back?

[0:19:01.7] GH: Yes, so most lately I do a lot of 30-minute video calls with people who have reached out. So, it is part of the reason I do the podcast. I have been on a lot of podcasts recently and I really enjoy it. So, the podcasts are a way to give back but I've had a lot of people reach out wanting some level of real estate coaching and I chose not to build a business around it. But I have done 50 plus calls, video calls to people who have reached out that want specific advice.

And so, I feel like that is where I can contribute the best with just give information, Q&A basis Q&A for 30 minutes on the video call.

[0:19:33.4] WS: Awesome thank you for giving back in that way, Gabriel. Thank you for your time today and sharing with listeners and myself and really helping open our minds a little bit to benefits of seller financing and that is an option. You know we don't have to syndicate every deal or we don't have to go into it thinking that that is the only way and just helping us to really see that this could be a really good option for us and potentially a better option for some of the sellers.

Thank you again and tell the listeners how they can get in touch with you and potentially have that 30-minute call?

[0:20:00.4] GH: Sure, yeah. the best way to get in touch with me is through Instagram, Gabriel R. Hamel or if you just search Gabriel Hamel, you'll find me. My website is hamelinvestments.-com and my email is gabriel@hamelinvestments.com.

[0:20:13.1] WS: Awesome, Gabriel. That's a wrap. Thank you very much.

[0:20:15.4] GH: All right, thank you.

[END OF INTERVIEW]

[0:20:17.6] 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.

Subscribe too so you can get the latest episodes. Lastly, I want to keep you updated so head over to LifeBridgeCapital.com and sign up for the newsletter. If you are interested in partnering

with me, sign up on the contact us page so you can talk to me directly. Have a blessed day and I will talk to you tomorrow.

[OUTRO]

[0:20:58.1] ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge 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. Life Bridge 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.

[END]