EPISODE 842

[INTRODUCTION]

[0:00:00.0] 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]

[0:00:24.2] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Ryan Groene. Thanks for being on the show, Ryan.

[0:00:31.9] RG: Thanks for having me, Whitney. I appreciate it.

[0:00:34.3] WS: Ryan is a full-time mobile home park owner operator that focuses on value add and turnaround communities in the Midwest and Southeast. His current portfolio has grown to seven parks, totaling 300 lots. Ryan also serves as the director of operations for Buckeye Communities, where he oversees operations of over 400 lots spread across five parks in Ohio and Michigan. Ryan, welcome to the show. Congratulations first on your growth and success in the mobile home park business. I wanna hear a little about your story from corporate America to this commercial real estate space and business and mobile home parks. Let's dive into mobile home parks specifically and how you've grown that business and brand.

[0:01:16.9] RG: Yeah. I appreciate first having me on the show and long-time listener and happy to add value where it can. It's been a long road flapping, "Oh, hey. I'm here. I'm a full-time mobile home park investor." It's been as you probably know. That path is not as clear-cut and not as clear as what everybody portrays in books, and podcast, and conferences and all this other stuff, right? “Hey, go buy a house and house hack it and live free,” right? Everybody loves bare pockets, but it’s good but it’s sometime maybe too much.

Long story short, went to school, got a finance degree, played baseball in college, wasn’t really good student, was more focused on athletics and maybe a little bit of partying here and there, kind of like everybody, right? Got out of college, went to a relatively good school, got a finance job right out of school. I’ve read Rich Dad, Poor Dad in college, and I have that kind of like in the back of my brain like, “What am I going to do? Is this forever?” The goal was basically to work, earn a high salary with my finance job and then put that money in like side business, buy some real estate, buy a duplex, start small and kind of scale up.

That didn’t start happening, because next to — I think I made 38 grand in my first job or something like that right out of college. Then obviously, we had bonuses and I stepped up pretty quickly. But I actually, after four years of working the same job, not being promoted, kind of have new bosses and working for a Fortune 500 company. I realized this is not going to work for me. I actually got asked to leave my first job. Most people, they quit their job. I got asked to leave because they had found out that I was moving cities and it was just not good timing at all. It was not for me, I’m not a get there at 8:00, stay until 5:00 type of person. Well, I don’t mind working, I was not — like we had to be there at a certain time and it’s just not my personality. Always five minutes late, I’m rarely early. It’s just a flaw that I have.

Since that, I moved to Cleveland, got another job. Got asked to leave that one because it was like a small company, we had lost some customers and it was more of a layoff situation. Then I just happened to know a couple of guys that were buying parks together. We’ve looked to find couple of parks, though really never connected. Then that’s where I joined Buckeye Communities as their operations director. It got me into the industry. It allowed me to oversee operations on the large scale on how to run multiple parks in different ways and how to scale something, and also how to be a part of the team that was — didn’t really have a corporate culture. It wasn’t get here at 8:00, leave at 5:00, you can’t have any facial hair, you got to wear suit every day. That really dry culture. It was more hands on. Then at the same time, I was buying mobile home parks. That was three years ago. I've been full-time for about three years now.

As the operations director, it was a part-time gig. It wasn't full-time and it's still not full-time. It wasn't full-time pay. When you're buying real estate, it might cashflow. But when you're buying turnaround real estate, it does not cashflow. I was like walking dogs, I was doing everything, I was like selling stuff from my closet. I mean, I was selling stuff that maybe I had too much excess of. I mean, I was living very frugally. Luckily, I was living at home for the first part of my career, and then I also haven't had kids. It's allowed me to do a little bit more and live a little bit more frugally than some others. My financial freedom number is a little bit lower than others. That's basically my story in a nutshell. It had to do some soul searching along the way. I just turned 30 this year and was kind of just my — I remember just days where I would go into the office and I'd be like, just literally like drained. I felt soulless. I mean, every expression and every cliché out there that was happening to me, that allowed me to kind of, I guess push to get out quicker. That's kind of how I stumbled upon mobile home parks.

[0:05:00.9] WS: Getting asked to leave or fired from a position or a couple can seem like a bad day to most people. But a lot of times, that's when — it really pushes us to get searched for something else, right? It motivates us or we have to go find something else. You've become the director of operations at Buckeye Communities and that opened your eyes to mobile home parks.

[0:05:19.3] RG: How I stumbled upon mobile home parks? Back in 2014, 2015 when I got out of college, I had already known I was going to buy a business. I looked at laundromats, car washes, duplexes, single-families, small apartment rents, everything under the sun, right? My dad was like, "Hey, you got a little bit of cash" — my dad is a contractor, he's like, "I hope you flip a mobile home. Let's go check some out. Let's go maybe like a live-in flip or something" in a nicer retirement community. It wasn't age restricted. I looked through it, it was all 20 grand. Didn't end up doing it for whatever reason. Looked at a couple of others, didn't do it.

Then we just started chatting, “Hey, who owns these things?” That’s how my brain works sometimes. It’s like just being in that mindset looking for something and I kind of found it. My eyes were peeled back, I started doing all kinds of research, went to a boot camp, read everything under the sun, met everybody. Still to this day, I still try to do the same. That’s kind of what peeled back the layer for me. I’ve never owned any other asset class, any other anything. I’ve only bought mobile home parks. With mobile home parks comes other real estate. Like I’ve owned single-families, apartments, garages, storage units, vacant land. With mobile home parks, it’s a weird asset class, but that’s kind of what allowed me to open my eyes.

On the financial numbers of it, the supply and demand of the overall economics of parks and just the less management intensive when your parks are all tendered on homes really spoke to me. It just jives with my personality. That is what started and then I joined Buckeye and that is what opened my eyes on how to really run a park. Because when you just buy one asset, you can get away with being lazy, you can get away with doing certain things. When you have five, six, ten park and you got employees, and you got different tenants, and you’re moving in homes, doing this, doing that and you are the property management company as well, there’s a lot of moving parts. I mean, it’s all hands-on deck and obviously, we do control our time and some of our money. But with that, you still have to work to get your investment right.

[0:07:15.5] WS: Speak about getting your first mobile home park.

[0:07:18.9] RG: It took me years and years. I had a couple under contract from 25 to the time I was 28. I looked at parks, I called parks, I mailed parks. If you tell me a park in the Ohio, Indiana, Kentucky area, I know it and I know the owner, because I’ve built my own database. I didn’t have a lot of money at the time, I was building my own database, learning everything I could. I just by chance happen to connect with somebody. They posted on like a Facebook group I think, “Hey, we’re signing this park, 75 units down in Fayetteville.” I ended up just kind of partnering with some people that I’ve known a little bit. We all had some money, we all had a little bit of experience.

I actually ended up partnering with some people that had done apartments syndications and we still own that until this day. It was a value add and a huge turnaround. It had contaminated well water, which I don't recommend buying on your first property. We ended up connecting to city water, but it had a huge infill and we got seller financing. It was a good deal and it's worth a lot more than what we paid for it today. But it's been a good amount of capital and a good amount of effort as well. That's my first purchase, kind of happened by chance. With six month of due diligence, six months of contract negotiations because it just felt like an onion, right? We just kept peeling back the layers and there was always something.

Eventually, when we got comfortable enough and we realized like hey, "We're getting good seller financing terms. Let's push forward on this property. If it doesn't work, it's not a recourse. I guess we're just going to lose our down payment." Which for me at the time was everything I had. I cashed in my 401(k), took the hit and then put that 30 grand or whatever it was into the deal. I remember, I probably had five grand. As a real estate investor, you live off your cashflow potentially, but you also live off of refinances and liquidity events, because you're not always — and necessarily have a stable W-2 when you're doing turnarounds.

What kind of came out of desperation allowed me a quicker path because I had to get there, right? I couldn't just sit around because I didn't have a job anymore, and I literally cashed in my life savings. It's worth more today, but I still — that park, I always have a little bit more — I want to be able to be a bit more hands-on and a little bit more sensitive, right, when somebody hasn't paid because it was my first deal and it was my life savings at the time. That's probably why it's a little but more intimate to me, but —

[0:09:36.2] WS: The risk that you took, cashing in your 401(k), you're willing to pay the penalty as well to make this happen so you can have that crash, and even take your personal liquidity down that far just to get into the business and make that deal happen. It sounds like you found some good terms and you did great due diligence over a long period of time. What about the transitioning from, okay, you did the hard work to get this first deal done, how long until the second one and how did your systems improve and how did the process improve going to the second or third?

[0:10:08.6] RG: It's a snowball thing, just like everybody always says, right? Once you do the first one, it's kind of just a downhill from there. My second one, we closed — I actually had another park under contract at the same time. We closed that December of 2018. Closed the next one April 1, 2019 and then the next one, August 1, 2019. Then I sold two of those, I sold my partnership rights out of those two. Since then, we bought four in the last year. We've had many more under contract and we always try to buy with what we have on the contract, but sometimes things pop up.

Today, right now, December of 2020, we have three parks under contract and we're hopefully closing all of those. That will give me about 400, 500 spaces depending on what we close by the end of Q1 2021. The transition when you get full-time, you have 40 more hours that people that work from job don't have, right? You don't realize the window of opportunity that you have when you open up more time when you're full-time. Full-time means, you take a low-paying job and you get a little bit more hours to then go buy more deals or you cash your life savings. I'm not saying do that, but I'm saying, you have to understand your risk and understand your reward.

If you've got a family and you got bills to pay, look, you gotta work, or job. I get it. But maybe you don't need this and you can save 10% more. The transition for me was more of a forced hand than me just saying, "Hey! All right. Well, I'm quitting and buying parks." It's more like, "Hey, here's the door." Well, I'm also buying a park because I was not shy. I told people, "I'm looking to buy real estate, I'm looking to do this, do that." Which some people in the corporate world are like, "Hey, that's awesome" because they understand and then some people are like, "Oh no, you don't do that. You need to be here. We need your attention and that's not going to work."

My transition was hard and easy at the same time because I'd already known in my head in years that this is what I wanted to do, so I was already there. Every day is still a battle for me. I mean, I still don't — there are some days I don't want to work or don't want to do anything.

Maybe I don't have to, but I still have to push and I still want to push and grow and do all that stuff. I still know I'm not where I want to be.

[0:12:21.5] WS: What's been the hardest part for you for growing just the mobile home park business and brand for yourself?

[0:12:26.8] RG: Yeah. The hardest part is finding the right people to partner with. Finding the correct deals because there are lots of deals out there right now at crazy prices, some of them. And finding the money for me has never really been necessarily an issue. I mean, always talked about it, and been connecting with people and trying to talk that avenue as well. But the hardest part is finding the right partners to do deals with, and somebody I want to grow with.

[0:12:49.9] WS: How have you don't that? How have you changed that for yourself?

[0:12:53.3] RG: I had a partnership group that we're building parks with and we actually had separation. They bought me out, I still own my partnership right. One thing I focus on a little bit more is, what can you bring to the table, what are our personalities. Because for me, I know the identifiers that I don't want somebody. I don't want somebody texting me every day saying, "Hey, I saw an email come in. You're running operations, why didn't you answer it. Hey! Where is this? Where is that?" I don't need another boss. We are partners in this business. While it's okay to say, "Hey! When are you going to do this?" every now and then or it's more of a "Hey! I trust you. I trust you to do it and then just let me know when it's done." You're going to see it, so I didn't need a big brother staring over my shoulder and that's what I had in my first partnership. It's not personality and it didn't work.

The people I partnered with now kind of trust. "Hey! You know what you're doing. We're here to help, we want to help but you're kind of running the day-to-day show and then we're here if you need us."

[0:13:48.2] WS: What's been the effects of the pandemic just over the last year almost now on mobile home parks and maybe your portfolio?

[0:13:55.1] RG: Deals have actually sped up. There's more cash flow than the asset class, because the tenants are sticky. They're typically lower income, meaning they might be on subsidized from the government, Social Security Disability, something like that, they work at Walmart. Their job is more essential, right? They work at fast food places. They are essential workers. Really overall, yeah, we have some tenants that couldn't pay because they lost their jobs or whatever, but the unemployment helps.

The first couple of months, we weren't panicking but we were like, "Hey! What's going to happen?" April, collections rolled in. We're like, "Okay. It wasn't really that bad." May rolled in, it wasn't really that bad. We've been on the phone more. We've been more out in front talking with residents probably than what we would have been. I personally will take phone calls and like process payments over the phone if I need to. So we've been creative, right? We've been a little bit more open to ways to pay and taking payment plans and stuff like that. But look, we're in affordable housing. If people need to replace their tires, they may not pay it because they literally live paycheck to paycheck and we provide clean, safe and affordable housing [inaudible 0:14:54.9].

Overall, we really haven't seen a huge dip in our business. We've actually bought more deals probably than we did in years past, because there's a lot of older owners that are like, "Hey! This COVID thing, it scares the hell out of me, so I'm 75 and I'm probably high risk of catching it and I don't want to be interacting with tenants who are coughing and doing this and doing that. Hey, I'm ready to sell." I catch them. I've seen that happen a lot, sped that window up of the people that are 65 to 85 that own these parks. We all thought we had this 10-year window, it's just basically created a vacuum. With low-interest rates and people cash flown in, I mean, I feel like I see every day. Hey, Blackstone bought this portfolio. So I bought this. So I bought that." I mean, you got the guys over bigger pockets. At Buckeye, we sold them their first park up in Fostoria. Everybody wants a mobile home park nowadays. It's probably the hottest asset class outside of actually catching COVID right now in 2020, but business has not slowed down.

[0:15:58.0] WS: Can you also speak to self-managing these parks versus hiring that out, getting your first park, getting growing to three or four parks and continuing growth? Is that something you recommend initially and is that something you see doing long term?

[0:16:12.4] RG: This space does not, at this point in time, does not have what I expect, good third-party property managers. So you have to keep it all in-house or partner with operators that know how to run parks. Now, we have onsite managers that either live there or live close by. It's kind of self-managing, but I have kind of a spring, right because I have onsite managers, onsite maintenance. We hire all that out, we manage them. As far as like recommending that to somebody, yes, for parks specifically. Unless you buy like a five-star or retirement type community, and lot rents are $700, $800. I would recommend you doing the self-managing and maybe you hire an onsite manager because that's going to help out a lot. You're going to understand the problem that you're going to have.

Then as far as scaling goes, you hire employees to manage the managers, then you basically create your own in-house property management company. And the good thing about mobile home parks, if you don't own a lot of the homes, it's not super management intensive, the most management time is the sixth through the tenth. That's where rents [inaudible 0:17:11.4], right? Because we're knocking on doors, closing notices. And when you're buying a turnaround, it's management intensive anyways. Management intensive is not me getting there and swinging hammer. We pay people to do that, so we're still scaling effectively by employing others, and creating jobs and allowing us to buy multiple opportunities because we're employing people at those locations with boots on the ground. Then we're overseeing them.

To scale that to a thousand, 1,200 in 15 years, I can't speak to that. I can only speak to what I've done and kind of what others have done. But I would recommend keeping it in-house, because at this point in time, the third-party management is not super effective in my opinion for the park that we're buying.

[0:17:51.3] WS: What do you predict or expect over the next six to twelve months and your plan for your business?

[0:17:55.6] RG: Over the next six to twelve months, I plan on doubling in size just based on the deal flow that I've been seeing and the cash that's kind of chasing it right now. I plan on hopefully hiring an employee to kind of replace myself because running operations — well, it's fun and exciting, I can only do so much, right? My time is limited, so I plan on hopefully hiring somebody by mid-2020 or hiring like an assistant. Well, I have partners, they have other things, they have other jobs. Hiring somebody that I can kind of say, "Hey, go do this, go do that." That's kind of what I need.

As far as overall like parks and just the economy, I really don't have an answer for the economy. I don't think anybody knows. I was trying to get as much hands-on cash early COVID as I can and I still am. Trying to remain liquid, which it seems isn't hard to do just because deals are kind of flowing in. Mobile home parks, there's going to be a buying spree. People are paying six, seven caps when two years ago they were like, "Hey, I buy mobile home parks. They're 10 caps, they're great, they're passive." Which maybe they were a little back then and they still are. But we're in the world of the same large apartments. We're six caps, we can get 3% debt and there's big guys chasing it, 50 units and more. But really what that leaves is, there's still a lot of opportunity left, there's still a lot of deals, there's still a lot of places to find your niche within the mobile home park space even if you want to buy one, buy two.

Plenty of good guys running funds if you're looking to be passive. Plenty of guys doing syndications, where you can, "Hey! I got some cash. I want to be an LP on this deal." There's plenty of that. It's good and bad for space. There's a lot of professional operators, there's a lot of professional financing people coming into the space and we're becoming a little bit more not the ugly guy or the red-headed stepchild. We're not that anymore. I mean, we still are somewhat, but we're becoming a little bit more mainstream, which is good and bad. More parks are going to close, none are going to be developed. More parks are going to transact and you're going to see probably more deal flow in the park space than any other asset. And I would bet $100 in a year from now. They're lower default rates than any other asset class aside from self-storage.

[0:20:02.7] WS: Do you have any or a couple of daily habits that you're disciplined about that have helped you achieve success?

[0:20:08.3] RG: Yeah, I check who's paid every day. That allows me to gauge where my business is. Aside from that jokingly, I really just try to think about where am I going, what I'm doing today, what can I do to be most effective. To say that I wake up at 5:00, and work out and do all that stuff that everybody talks about, no, that's not me. I slept until probably 8:00 this morning, but I went to bed at midnight, right? I get seven, eight hours of sleep. I try to get some form of exercise, whether that's just walking. Like my goal now is to do somewhere between 7,000 and 10,000 steps. That's my goal. Doesn't sound like a lot, but I am not a walker, so it is a lot.

Just some other things, looking at a deal a day, talking to somebody, reading a book whether it's through audio or listening to a podcast. Something daily to where I'm not diminishing my skills. I'm trying to get better. Not every day is going to be a step forward, but it's better to remain where you are or maybe take a lateral step than to take 10 steps back by not reading, not doing some form of exercise and not looking at a deal. That's kind of what I try to do daily, to try to better myself and kind of better my business.

[0:21:12.1] WS: What's your best source for meeting new investors right now?

[0:21:15.3] RG: Facebook, like there's a bunch of groups or you can join a bunch of investor groups. I know there are some for park rents and self-storage, but there's a bunch of like mobile home park groups. I think one of your guests, Ryan Narus actually, hosts a group. It's like MHP Mastermind or something. It's a good group. I just try to interact on there and then I do a podcast like this, right, so people reach out to me and I'm reaching out to people. "Hey, I haven't talked to you in a while. I'm catching up," stuff like that. Typically, I do call in the afternoon, one or two calls. I give a lot of free time, right? I don't do coaching or anything. I try to give as much as possible, so therefore one day maybe it will come back in return.

[0:21:51.8] WS: What's the number one thing that's contributed to your success?

[0:21:55.6] RG: Looking at a deal a day or trying to get involved as quickly as possible. Because if you're not looking at deals, you're not going to be able to buy a deal because you don't know what is happening in the market. Also, just talking with people and not being afraid to take somebody out during normal times a cup of coffee or pay for lunch. Because the $20 or $40 cost for lunch or $5 cost of coffee, if it's an experienced investor or somebody you kind of want to be like, it's well worth it. That's contributed a lot. Also, just kind of being stubborn knowing what I want to do, right, because there's a lot of people that said, "Hey! You haven't bought a mobile home park. Are you thinking about something else?" Just stay focus on one sole asset class has been beneficial to me because I will chase a lot of stuff.

Like last year, I found myself like, I move to Charleston, South Carolina. I was like looking at buying like a brewery or looking at buying like some other business, and I'm still looking at that stuff but like mobile home parks is my sole focus. I would say, focusing on one thing at a time has been helpful for me.

[0:22:57.6] WS: How do you like to give back?

[0:22:59.4] RG: I like to help others. I like to help people that are looking to get into the space, I like talking about. I like telling people, "Hey! This is not a 10-cap business, where you can just buy a park, raise the rent and sit back in your lazy boy and collect rent every month." It's not a passive business like most people pitch. Well, it's more passive than maybe apartment. I try to be as honest as possible and transparent about operations, about systems, about how to do this, how to do that. What do I think about a deal, right, people ask me. I just try to give the positives and negatives and I try to provide as much value without really asking anything in return. From time to time, I used to be involved with a no-kill animal shelter, so I like to help with homeless dogs and cats.

[0:23:42.8] WS: Awesome. Ryan, I'm grateful to have met and had you on the show. It's always interesting to hear people's path to success and real estate, especially when they're coming from a corporate world or ways that most people would see that as success and having a W-2 position but then having to leave that and move to where you're at now and just the success you've had. It's going to be interesting to see where you go over the next few years.

Also, been grateful for you sharing that path with us today and just ways you've grown your mobile home park business and how others can do it all. Tell the listeners how they can get in touch with you and learn more about you.

[0:24:16.2] RG: I'm on every social media platform: Facebook, Instagram, LinkedIn. You can also email me. I'm sure they'll put my email on the show notes. It's ryan.groene55@gmail.com. That's my personal email. You can also go to mobilehomeparkinvestor.com. Then any time, I'm at different meet ups. I'm down here in Charleston. If anybody is ever in Charleston, South Carolina, feel free to reach out to me. I'm happy to get a cup of coffee or stand six-feet apart or whatever, crazy and wild times led.

[0:24:44.8] WS: Awesome. That's a wrap, Ryan. Thank you very much.

[END OF INTERVIEW]

[0:24:48.9] 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]

[0:25:29.2] 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.

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