

EPISODE 963

[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]

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Whitney Sewell: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today our guest is Michael Parks. Thanks for being on the show, Michael.

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Michael Parks: Hey, thanks for having me, Whitney. I appreciate it. Glad to be here.

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WS: Now Michael's mission is to help busy professionals achieve financial security for themselves and their families, taking away the frustrations and fears that come with relying on their job or wall street for money. Michael has been involved in multifamily, vacation rentals, hotels, commercial office, logistics, and senior living asset for over 10 years, and has experience in underwriting, property valuation, acquisition, construction, leasing, management, and financing. He is primarily focused on acquiring and repositioning multifamily communities, various companies, Spire Investment Properties. Michael has built a robust network of real estate professionals for sourcing and operating great real estate investment opportunities for people and his Spire real estate investing group. Using strong analytical skills, technology, and a conservative approach, Michael evaluates risk to identify wise investments and maximize returns while preserving capital.

Michael, thank you again for being a guest on the show. You have have just a big background,

you know, I mean in this business and in many businesses, really, but you've had maybe a different way of getting to real estate than some and I wanna go into that in a little bit. I know that's gonna help the listeners, but you know, tell us a little bit, I know you came from technology, being a technology leader then owning some other businesses and then got into apartment buildings, you know fill us in a little bit on that journey.

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MP: Yeah, absolutely. Thank you. So, you know, I think like a lot of people, you know, I enjoyed my job, but I always craved the freedom that comes with having the financial security of not relying on your job for income and be able to, you know, hold what you have close and dear and know it's protected. And so for a long time, you know, I was pursuing passive income and one of the things I did Whitney, is I went and I opened a franchise - a franchise hair salon, and as a technology leader, you'd say "why the heck would you open a franchise hair salon?"

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WS: That was gonna be my question.

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MP: Well, you know, it seemed like the right thing to do in that in that you could hire a manager, the manager would run the hair salon. I can't cut hair so it's not like I would be in the business working in it, I would be working on it and I would grow the hair salon business to create passive income. Well Whitney, what I found is that it's not so easy to hire a manager that cuts hair that can also run a hair salon and then just start to scale that. And so, I found myself after working, you know, a full time job, spending a whole lot of time in the hair salon trying to, trying to run it, trying to lead the managers, and it got to a point where it just wasn't sustainable to continue to grow it and the amount of time it was taking, it really wasn't passive income, it was absolutely active income. And I luckily had the opportunity to sell it for a profit, probably not worth the effort I put into it, but I said "you know, there's gotta be a better way here" and so, so that's what I started with the hair salons.

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WS: Wow. So it was really a goal of the passive income, but that was before real estate, right?

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MP: That was pre-real estate.

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WS: So what then led to apartments, go ahead?

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MP: Yeah, so shortly after real estate I took a new position and I have been doing vacation rentals on my own by the way before that. And you know, I think a lot of people think "Oh, I'll just buy a vacation house" and then, you know, "I'll rent it out and will pay for itself and I'll get to use it." So I did that, I bought a ski house up in New Hampshire. And what I found is that it didn't pay for itself, right? And when you wanna use it as when you, when you need to rent it in order to get income because everybody wants to use it on those same weeks that you wanna use it. So I did do the vacation rental thing for a while, but shortly after the hair salons, I went and joined some large publicly traded REITs and I was a technology leader there at those REITs, but that's where the light bulb went off around just how to do the real estate thing and do it well. And that involves, you know, doing it at scale and, you know, leveraging investor money to go ahead and add value to properties and turn out good returns in a sustainable way. And so, that was really my time at the REITs that is where I flipped into heavy active investor.

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WS: Okay, so was it the end that you knew that it was apartment buildings? Or you're hoping to grow your vacation rental business? Or what did that look like?

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MP: Yes, so the REITs I worked with did most asset classes other than multifamily. It was senior living, it was commercial office, logistics, hotels and all of those were very good businesses at the time, but I began educating myself around multifamily, going to meet ups, listening to a lot of podcast like yours, and the business case for multifamily I just find extremely compelling as you compare it to other asset classes, you know, just look at what's happened since then in the last year, commercial office, retail, just getting decimated in a lot of ways. Multifamily, the demographics of population growth in this country, in particularly if you picked the right geographies, the demand for multifamily continues to grow, rents continue to increase, and the ability to borrow against multifamily is quite advantageous. So I love multifamily and apartments.

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WS: I wanna jump into the, you know, just what you look for multifamily properties and things like that a little bit. I wanna back up just for a second and, you know, do you advise buying a vacation rental, or you know, renting it out now that you've done that. I know you mentioned that it may not pay for itself like you hope, that is that still a good avenue for anyone?

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MP: I would advise that if you're looking for an investment, a vacation rental is probably not gonna be a great investment. You'd be better off making a good investment in multifamily and using that income to go on vacation wherever you want. Now, there's other advantages, you know, if you want a vacation rental because you really just want it, you want your own place, you wanna keep it the way you want it, sure, get a second home, get a vacation home, that's fine but don't plan on it being a great investment would be my advice and I held it for 18 years, and I made some money on it but I could've done far better in many other vehicles.

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WS: Yeah, now that's great advice. What about let's jump to the multifamily properties a little bit, you mentioned, obviously the area, the market, those things, but what are you looking for, you know, when you're buying these multifamily deals?

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MP: Yeah, so I look for, first, the market. I wanna invest in markets with population growth and job growth. I then look at the asset itself, and I look for an asset that I can add value to. And so, you know, that means assets that either have lower than market rents, it have a need for a capital because maybe they've, you know, not been well maintained for a while and that's why the rents are low but it also has a bunch of deferred maintenance whether that needs, you know, parking lots, roofs, kitchens, baths, flooring. It's important in the deals that I look for because I wanna get some great returns out of it, is that I can add value through using capital to improve the property, improve the net operating income. Without doing that, I think the returns that you find in this market are okay, but not what we'd be looking for. So if you got to be able to add value to the property, it's got to be in a great market. It's got to be with the team that understands how to execute that market and understands the nuances of the market. I think it's very easy for...There's a lot of syndicators that will, you know, look at into areas that are great markets but not have the intimate knowledge of the market. So for me, I partner with people that

have boots on the ground in those markets that can really tell well, you know, this particular neighborhood is better or not, or not as good as others. So you know, I think that's important not to make a mistake. Really good to have an intimate knowledge of the market.

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WS: Yeah, I wanna dive in there just a little bit. Any specific ways that you find data or do you gather that information, you know to have that intimate knowledge of the market?

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MP: Yeah, so I mean, I think like a lot of people, your co-stars are good choice. There's also a, you know, a number of online resources - Census Bureau and so forth to gather a lot of basic information and I think every good active investor is going to do their due diligence around those things, but I think there's no substitute for the person that lives in the market, the person who knows it intimately and can talk, you know, neighborhood by neighborhood, area by area. Someone who can say "yeah, that comp for that multifamily, well they really have a, you know, a nice pool, they have a really nice, you know, 10 foot ceilings instead of eight foot ceilings and the apartments feel much more airy." So you know, that kind of intimate knowledge I think is really important and there's no substitute for it.

I'll just give you an example, I was looking at an opportunity and the comp that I saw, which was right across the street, had much lower rents than what we were planning to achieve. And I was thinking well, "Jeez, how are we gonna get the rents that we think we can get when you have this comp across the street?" And it was the boots on the ground that said "Michael, you don't understand. That apartment building is a mess. Nobody ever calls you back when you wanna, when you rent. The heat goes out, like every month. And tenants is just constantly leaving." So, you know, it's not well manage and it's not a great place to live.

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WS: Sounds like a good one to buy.

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MP: Yeah, right. Yeah, so maybe, maybe we need to look into that. You know, so that's the idea. So we still use the comp to be conservative, but you know that type of knowledge is, I think critical to make it a business plan you know you can execute.

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WS: I think that's well said. You know, you can read all the data, you can look all the places, read the books or even travel there a little bit yourself, but if somebody's been in that market a long time, especially if they're in the real estate business like, it sounds like this person you're talking about, you know, is kinda been in multifamily or in real estate, you know some and has some knowledge about the business side, they're not somebody that's really brand new to the industry by any means. Tell me a little bit about finding that individual.

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MP: Yeah. So in that case, I found them through partnerships, through a real estate meetup here and - here in Boston, I live in Boston area - and one of the people I met here had a relationship with the person down there and say "Hey, I can find great deals down in my market, it's down in the southeast of the US, and so you know, let's talk and let's go through some of these deals together." On a lot of times, that's actually what I'm doing. I'm building relationships with people like that, with the knowledge in the market that are finding deals and what they're looking for is expertise and the analysis of those deals and the business plan, sometimes capital that's needed to go ahead and execute the deals and operational excellence, and that's really where I thrive and continue to build out my network of partners and great real estate markets. Still looking for them, so if there's anybody out there that is interested, I'd be glad to chat with you. But that's how I find them.

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WS: You know, Michael, maybe you can share a little too, I'm just...I know a lot of people listening are thinking away "Man, you know, I'm not ready to purchase you know, a 200 unit apartment building" or "I'm probably not ready. Michael's not looking for somebody like me. I probably don't have those skill sets yet," they may consider themselves just an average investor or whatnot, but how can they still, you know, buy real estate, you know, like a multi-millionaire?

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MP: Yeah, so a lot of times, you know, people either want to be active or passive, right? And so, the great way to get into this game and start to see it without having to take on a lot of risk as a passive investor or a limited partner in a real estate syndication, and I know many much of your audience is well aware of that, but the great thing about being a passive investor is that you only

put at risk the money that you've put into the deal, and you get a front row seat to see how the deal is being executed. You're an owner in the property. It's gonna be a large, you know, generally a larger property that you could probably purchase on your own. You'll get your monthly statements and updates on how the property is going, how the value add and rehabilitation's going, and how the rents and the NOIs progressing, and you get what I love to call "mailbox money". Basically you get your distributions, you know, once a quarter for the profits that the property has made. So I think that's a great way to get involve. That's the way I got involved. I've been a passive investor in several syndication deals and I think it's just a super way to get started.

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WS: No doubt about it. We have many investors who invest passively then for, you know, a year later they're active you know, they're doing their own deals as well. And so, I learned a lot about the business and I wish I had known about syndication business many years before I, I got into it. But Michael I know that you have a technology background, and so tell us a little bit how technology is affecting say, you know, the apartment business.

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MP: Yes. So what's interesting is that apartments, and particularly in your Class A, gateway cities, big cities, what's happening is, it's more than just space. It's no longer just space, it's about services as well and we call it the "connected tenant experience." So, you can almost think of it like "how do I blend a hotel with apartment living?" So well, say the millennial, but really it's a lot of people that are now looking for this type of living, where not only do they have great space but they have great services. And all those great services are connected usually through technology whether, you know, that starts with just the base infrastructure of available Wi-Fi, but then also applications so that you can pay your rent online, you can schedule time in the gym or the yoga classes or what have you that may be an amenity in the building, if there's venues or a retail, how do you...you'll also be able to put in orders for food, how do you schedule dry cleaning services, how do you control temperatures. There's a lot of environmental technology as well, which I can get into here in a second, but the connected tenant experience, it's now taken in the apartment building and made it a platform for living not just a space to live in.

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WS: I think that's well said, and I think many operators don't see it that way, yeah. You know, as far as like, it's about service as well. You know, it's more than just space, so okay you said that, and just really how technology is creating so many other services that were, I mean weren't available not too many years ago, right? You know, any other services that are now available through technology Michael that you've seen, you know, play a big role in adding to that service to tenants that maybe we're not aware of?

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MP: So there's a whole area right now as a landlord that is driving an ally, and that's around energy usage. So as you know, you know in apartment building a big piece of of your cost is in utilities. And so, there is a whole number of sensors and technology services that monitor these sensors, that can make adjustments in real time on your utilities. So whether that's your heat, your air conditioning, water usage, keeping an eye out for leaks automatically through technology which can be super expensive if you have a water leak or even just, you know, a running toilet for instance, will start to cost you a lot of money if not caught early. So there's a tremendous amount of technology called "prop tech." Prop texts buzzword around this type of technology that monitors all of these environmentals, make adjustments real time based on the weather outside, where on the occupancy, you can have sensors around occupancy that then adjust the environmentals accordingly . And you can also tie that into that tenant experience app, so that your tenants also get a level of control through their application remotely as well.

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WS: Interesting. Wow. Is there a place we can learn about that even more?

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MP: Yes, so if you go to my website, which is spireinvestmentsproperties.com, I continue to put out additional content and videos around prop tech, so feel free to check that out.

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WS: Nice. Well, Michael is there a way that you prepare for a downturn or advice people, other operators too?

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MP: Yeah. So, you know, I think the best way to prepare for the downturn is to get into the

property in the right way. And what I mean by that is one have a significant value add play, so that when you go in and you add value, you have a good cushion in terms of being able to weather the storm of some vacancy and still be able to be profitable without having to go into capital calls.

So that's one piece, and the other piece that I think is just as important, is the financing on the deal. I'm seeing a lot of deals right now where people are doing extended five year bridge loans with variable rates. And, to me that is just a super high risk option. I'd much prefer rate locks for at least five, if not 10 years at today's, you know, super low interest rates today which is great. But if you think about it, if you have a variable interest rate and we start to see them climb, all of a sudden your profitability really starts to get hurt. So, I think it's important to lock in low interests rates for longer time, terms, so that you can weather storms and be able to exit at a time that make sense for the property

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WS: No, that's well said. And what about any projections that you have for the next six to 12 months in the real estate market, and is it still a good time to invest?

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MP: Yeah, I think it is. What I've seen in my properties is Class A has continued to do well, very well. Class B and C in particular, took a bit of a hit over the last 12 months in terms of collections but not nearly what I think everybody thought would happen. Everybody thought "Hey, there's no evictions so you know, nobody's gonna pay," and that didn't actually pan out. That happened in some cases, I certainly have some of that, but what I've seen now is, that's turned a corner, and some of the government assistance that has been made available is starting to come through for those people and they now, they realized they don't wanna leave their house. I mean, in these uncertain times, right? The last thing you wanna do is be without a house. So, people are looking at this assistance that they are getting and they're saying "Okay, here's my chance to get back on track, and make sure I continue to be able to live where I wanna live." So, I think we're gonna see that continue. I think multifamily continues to be strong. I would still just advise that we always take a conservative approach and make sure we're prepared for, you know, what could happen. Nobody's got a crystal ball.

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WS: Michael, do you have any daily habits that you are disciplined about that have helped you achieve success?

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MP: That's a great question. I am a list maker. So, my daily habit is, I keep list of what I need to do against what I call my quarterly rocks. So I set quarterly goals and then underneath each goal I break it down into weekly objectives and then daily tasks. And I keep that in a piece of paper right by my desk and work through it on...every day. That's how I stay on track. It is that, to me it's about taking action. And if I don't have my list and I don't know what actions I'm gonna take, next thing you know it could be weeks and nothing happens. So that's how I keep myself on track.

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WS: Awesome. Gonna have some accountability even if you're...if it's writing it down. That's a great way to do that. What about your best source for meeting new investors right now?

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MP: So, meeting new investors, I guess doing some podcasts such as this one for sure. Also, I put out regular content through my website, through my YouTube channel and so I've got a lot of people reaching out to me that way. And I do have an e-book out that's geared toward passive investors, it's called The Insider's Secrets to Real Estate Investing To Live Life on Your Own Terms, and you can grab that on my website at [spire investment properties forward slash secret](#). And I do get a lot great feedback on that e-book, and so a lot of people are coming to my investor group that way.

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WS: What about the number one thing that's contributed to your success?

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MP: It's definitely discipline. Discipline to stay focused and continue to work day in and day out toward the goals until they are achieved. And that's been true in my professional career as well as, you know, real estate. It's just...that's what drives me, the focus and the discipline to continue moving forward.

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WS: Oh great answer. I've experienced that, as well the consistency, right? Having the faith, and you know, faith in the process and moving forward. And, Michael how do you like to give back?

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MP: So right now, as it relates to real estate, I give back in terms of mentorship. I'm open and talk to lots of new real estate investors. I provide my time and expertise that, you know, no cost and I'm glad to continue to do that and build the relationships. And that's what I've done really my whole career, which was largely focused in technology is, I just love bringing along, you know, younger less experienced people, sharing my lessons learned and helping them achieve what they want to achieve, hopefully in a much faster way than it took me to do it.

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WS: Nice. Well, Michael, it' been a pleasure to meet you and have you on the show. It's a, an interesting journey, you know, that you've had where you were seeking passive income, you had a whole another business or franchise and it sold that, you know, determine that that was not best and took a whole another path in the real estate, and now have achieve success and are growing at a big scale, and so, grateful to meet you and just hear from your experiences and teach us from those. Tell listeners again how they can get in touch with you and know more about you.

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MP: Great. Thank you, Whitney. Best way to get a hold of me, you can send me an e-mail, its michael@spireinvestmentproperties.com or go to my website - spireinvestmentproperties.com and contact me through there.

[END OF INTERVIEW]

[OUTRO]

0:21:42.0 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.

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