**EPISODE 1320**

**[INTRODUCTION]**

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**Charlotte Dunford (CD)**: Based on historical data, we are always improving and refining our acquisition process. So, we have an internal algorithm that consists of 15 major important parameters of what we look at when we buy a park. That is always changing, and that is always evolving.

**0:00:19.8**

**Whitney Sewell (WS)**: If you're in the real estate business right now, you have heard people talk about and probably experience issues finding the next deal. Acquisitions at pull back and it's harder and harder to find those deals. It seems like at the moment with interest rates hiking, inflation and all these things that are happening, it's difficult. It's always difficult, right? But we are working consistently to improve that process.

Our guest today has an acquisition algorithm that she's gonna share with you and some things about how they are finding deals and how they've improved this over time as well, to find better deals. I think there's some key things here for you to be able to apply to your business in finding better deals, especially over a period of time as you continually to do this, build relationships and improve your process. You're gonna hear some things that she's gonna layout. It's gonna be very helpful. She also has a Blue Ocean Strategy that I think you should think about as well, especially if you're getting into the business or you're trying to pursue growth. You have to think about your product or your place in the market almost where there's a little to no competition and how that helps so many people to move very fast.

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**WS**: Our guest today, Charlotte Dunford, has done just that. She and her team, they're moving quickly because of their Blue Ocean Strategy, because of their acquisition algorithm. She's a

managing partner at Johns Creek Capital, a private equity syndication firm that focuses on small mobile home park investments. Charlotte and team led the company to serve 23 investors with subscriptions ranging from $10,000 to over $27 million each. Currently, Johns Creek Capital sponsors 26 parks where there are $4.8 million In subscriptions. They've not grown the 26 parks by accident. They've had some strategy, they have been pushing to make this happen. You're gonna hear that in Charlotte's interview today.

[INTERVIEW]

**0:02:06**

**WS:** Charlotte, welcome to the show. You have some expertise that I'm looking forward to diving into, that strategy of how we start or operate a business, how we move forward, how we look at those things. So important and you have become an expert in that, in your field, in your business, and then also the acquisitions component. Right now, everyone's struggling with acquisitions. I hear it constantly, and so I'm looking forward to diving into how you all are handling the acquisitions department or how you're finding deals ultimately.

**0:02:39.4**

**WS**: Charlotte, welcome again. And who are you? Tell the listeners a little bit about yourself, so we can jump into your specialty.

**0:02:45.4**

**CD**: Thank you so much for having me. My name is Charlotte Dunford. I am the managing partner at Johns Creek Capital. We are niche-focus on smaller mobile home park syndication. Currently, we have a $4.8 million, over $4.8 million investor subscriptions, and we actually just closed our 26th park last week.

**0:03:05.1**

**WS**: Congratulations! Wow, that's exciting, 26 parks. That doesn't happen by accident, right?

**0:03:11**

**CD:** Yeah, exactly.

**0:03:12**

**WS**: Let's jump into your strategy a little bit. You talk about this Blue Ocean Strategy. Maybe you could help the listeners, I don't really understand what that means to you. What does that mean? And then let's dive into what that is for you.

**0:03:23.0**

**CD**: Right. So Blue Ocean Strategy really is, in the simplest terms, it would be to find a marketplace or even a product so that it creates a new marketplace where the competition is not so fierce. So, when I started out, I was 25 years old, I was taking a corporate job, and at the time already has some real state deals using my salary that was just nowhere near enough for what I wanted to achieve. So, I wanted to go into multi-family at first, because it was, everybody knew about it, and it was very heated. And it sounded like a great idea. But I found myself in a difficult position at the beginning to get into multi-family because as much as probably the audience knows from listening to a lot of podcasts is that the big boys of multi-family have been added for decades. For me, for a newbie like me at the time, when I was 25, when I started out, it wasn't an easy option to go into multi-family. I found mobile home parks to be a sector where it was a Blue Ocean, and where we could acquire parks at a higher cap rate, at the time in 2019 it was 10% or 8%-10%. So, that was very attractive. So that's where the Blue Ocean Strategy started. I'm a firm believer in the Blue Ocean Strategy meaning that if you could fail at business, it's because you failed to escape competition.

**0:04:42.3**

**WS**: If you fail at business, it's because you failed to escape the competition, is that right?

**0:04:47.8**

**CD**: That's right, I quoted it right out of my favorite book. It's called "From Zero to One" by Peter Thiel, one of the most successful investors of all time.

**0:04:54.6**

**WS**: I'm writing that down. It's a good one. I love how you said, find the product that creates a new marketplace, either a new marketplace or at least a place where the competition isn't so fierce.

**0:05:05.1**

**CD**: Exactly; either a new marketplace where no one has been to before, it's a brand new products, creating a new market, a new customer base. Or, in this given marketplace already existing, you have a product that's so unique that's in a niche where not everybody's chasing after. That gives you a really good advantage on pricing and really gives you a niche, and that's where you can make the profits.

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**WS**: Have you seen other areas in your business where you've been able to apply the strategy other than just the overarching thought of we're gonna focus on mobile home parks. Any other ways that you've seen this work?

**0:05:37.7**

**CD**: Our niche is smaller mobile home parks instead of focusing on parks with 100 plus paths. We focus on an acquisition strategy of 50 and below, and with that, it's really a different animal. So, you don't really have a per se onsite property manager. It's really trying to train a different animal. So, you have to assemble the team locally differently.

**0:05:59.1**

**WS**: That's awesome. So, you kind of niched, and then you sub-niched again, right? You're niching down.

**0:06:04.9**

**CD**: Niche within a niche.

**0:06:06.0**

**WS**: Yeah, to create your own market. I think it's brilliant. How has this helped you to move faster potentially than you would have otherwise?

**0:06:13.4**

**CD**: Right, absolutely, that's a great question. So, because we're smaller, focusing on smaller parks doesn't mean that our company is growing slower. Because we're small, we are able to move fast, which means that all of our deals are financed through cash because the dollar amounts are small. So our investors are able to - maybe four to five investors can put into a deal and that's that. The acquisition time frame becomes a lot shorter and because we're smaller, we are also able to get more seller financing and very attractive terms. So, in one of the first deals we got, we got 25% down, 3% interest rate, and a 30-year amortization. So, there's a very attractive term. Because of that attractiveness, we're able to move very quickly. And since we started in 2020, we've already got our 26th park. So, that's one of the major benefits.

**0:06:58.1**

**WS**: Nice. So other benefits, and maybe you probably didn't see all these benefits coming in the beginning by niching down like this.

**0:07:04.5**

**CD**: Right. I think the journey of entrepreneurship or if you're starting a business, you kind of start to go on a path. You have a strategy, follow that strategy and you pivot a little bit. And then you improve and you see the benefits coming. You focus on what's working and continue on that path. Yes, absolutely.

**0:07:19.9**

**WS**: That's awesome. What about, how did it affect your ability to raise funds? I know you're more focused on acquisitions, but I was just thinking about niching down, being more focused. Did this help in any way with raising money or not?

**0:07:33.3**

**CD**: Yeah, absolutely, I think so. Because you don't want to be absolutely competing with everybody as far as raising funds, you just have to be unique. Unique in your own way, and provide the best quality financial product for investors. So, I think, as far as when I start to have a conversation with an investor, it does help us differentiate ourselves in the marketplace by being focused on small to medium level mobile home parks. Because a lot of investors on board, they're saying, you're buying things that a lot of people aren't buying, and those people from very huge institutional funds or the big boys, they're not really focusing on. So, that's a niche. Niches are attractive, and the logic behind it, a lot of people find attractive as well.

**0:08:16.5**

**WS**: What about cons? Do you feel like this hindered your growth in any way? Or maybe hurt the business in any other way by being so focused?

**0:08:24.3**

**CD**: Well, I think it never hurts to be focused. But I think we do have to be careful with the features that come with small mobile home parks. So, the features that come with them are: you want to make sure you have enough reserves for each deal, you don't wanna be under-capitalized at the end of the day, and because they're smaller, therefore their cash flow tends to be slightly less. Because of that, when there is an issue coming, let's say with the utility line, we all know that for mobile home parks there could be utility problems because you're on owning the land. So, you want to make sure you have enough reserves to cover that. If not, you don't wanna run out of money, you don't wanna be under-capitalized, because a lot of times in a small park, the cash flow can be a little bit tight. So, that's the one thing is to be prepared for the reserves. And because they're so small, the capital raise is smaller. So, having a larger reserve does not really hurt the overall return that much or at all.

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**WS**: Awesome. Are there any plans to change the strategy or add to it?

**0:09:23.9**

**CD**: Absolutely. I think for any company, you should always be putting your strategy as your company grows and base all your historical data. It's just like machine learning. You're improving the software. You're improving the robot, what I recall it, you're improving the machine based on the data you get. So based on the historical data, we are always improving and refining our acquisition process. So, we have an internal algorithm which consists of 15 major important parameters of what we look at when we buy a park. That is always changing and that is always evolving. So, the strategy changes with the market, changes with the landscape of mobile home parks because people are buying up more and more mom and pop parks, and that does change things and the rates are going up and inflation is happening. So all of that changes, but we are always adjusting.

**0:10:15.9**

**WS**: Let's jump into the acquisition side a little bit and speak to how are your finding deals right now. I know you have an algorithm around that, I'd love to hear more about that and help the listeners to learn this as well.

**0:10:26.3**

**CD**: Right, absolutely. So, how we're sourcing our deals, when we started in 2019, we have been building lots of relationships with broker-sellers, buyers, people in the industry to send us deals automatically. We also seek them out through posters of different channels, the traditional ones, online and also just broker relationships and emails and tracing down the sellers, past sellers. So, all those channels to get our deals on our desk. And once we get them, we look at them, we put them through our proprietary internal algorithm that we've developed using data that we have gathered throughout doing deals. Knowing the 15 major parameters that are important to qualify or deal.

One of the top ones is the ratio between mobile park on homes versus tenant homes. So the more tenant homes you have in the park, the higher score this parameter would have. So, essentially is we assign a weight to differ each parameter. So this parameter is very heavy weighted. I think this one is at a five. So, you give a score and it produces another score, and at the end of the day, you kind of average out the total score to give it a pass or fail score.

That's how we qualify deals, and the market of course, that's important as well. And then that gets subdivided into, if you have a lot of some park on homes, you wanna see the rent level in the area, so that gets divided. So, the 15 major parameters are really ever-evolving, ever refining process that we are constantly working on to make sure that we qualify our deals when we buy because you know the saying that "you make the money when you buy". And I come to find that that's true after 26 deals later plus other acquisitions that I've had with other real estate. That's extremely important.

**0:12:12.4**

**WS**: Interesting, you talk about these 15 points. It sounds like you're documenting everything you're learning. You've created these parameters where it's like, okay, these are the things, after these many acquisitions, we know we need to know. We know this, this is how a park operates the best. These are the ways that we purchase the best deals. And I was reading or listening to something recently about acquisitions. And this group, they created a platform. It's like similar to what you talked about. They created these parameters where they narrowed their focus in a big way. But then, they know every deal in their market that fits those parameters. And then they're building the relationships, and so it's very similar to what you're talking about. Speak to how you found some of those sellers. How did you look up that information? Is there a website? Is there some way that you all bought the information? People often say, how do I find that information or even connect with that seller in the first place?

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**CD**: I think most the sellers that we found are through mobile home park store website and a lot of forums, online forums from the mobile home websites. When we started out, we will start to build those relationships. They had a listing so we run it through our algorithm. We become interested and we reached out, and that's how we got the relationship started. And it really got stronger when we closed a deal with them and demonstrate the ability to close deals. They pretty much recognized us as a player in the market. So, when they have something else coming up, they will definitely give me a shout and see us that these guys are serious and they're able to actually close deals instead of, there are a lot of tire-kickers in the market who

don't really follow through. But that relationship really starts really strong if they had a really good working experience with you and actually managed to close a deal with you.

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**WS**: Speak a little more to that first interaction with that seller, a little more about how you show those things you just talked about that's so important, to show that you're not a tire-kicker, that you can close a deal.

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**CD**: I think it's important to have two motivated parties to work together. A relationship can never work when there's only one person in there who's trying to work it out, trying to be motivated. So, don't pester anyone, don't pester any seller. So, you wanna make sure that the seller has a listing. Usually, how you start out was the seller had a listing. So, he was motivated in the first place to sell something. I was not pestering him, I was following through, following up inquiring about what you have to offer. So, that's the first step. And once they respond, just be professional with your dealings with the seller and set expectations. Relationship is all about expectations and expectations with the investors as well. So, setting expectations straight and deliver. So with the seller, the same thing. Don't try to screw the seller, I would say. As a buyer, don't try to, try to make a win-win situation for everybody.

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**WS**: That's awesome. Anything else about the acquisition algorithm that maybe I wouldn't even know to ask you about, how you all do something? That would be helpful.

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**CD**: The acquisition process is, like I said earlier, ever-evolving. And I think it would be interesting to discuss a couple of other parameters that we look at. For example, the market. The market is, it doesn't have to be in the center of a major MSA, a metropolitan area. But it has to be closer to some economic hubs. It has to be a town that has some dynamics going in the town to make sure that there are enough customers for that. Another thing is the spread.

It's the difference between the interest rate and the cap rate. When the cap rates were high and the interest rates were low, it was very attractive. Right now, the interest rates are rising which means to cap rate tends to be a little bit higher. But that hasn't really materialized. We'll see about that. So, the spread is extremely important because if you don't have a spread, you don't have a lot of meat on the bone. There's no money to be made. Another thing, one of the major parameters is if there are park on homes, what is the status of the title? That could be another nightmare. So, those of you in mobile home parks, park on home titles can be a nightmare to deal with because if the seller doesn't a clear title, the title company doesn't care. They only care about the title of the property, not necessarily the homes.

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**CD**: Our due diligence process acquisition. Due diligence is also a major part of it so due diligence process to verify that. Obviously, due diligence would have about three phases. Phase one was before we started spending money - tracking permits, verifying income, because if the income is not there, the deal is not there. And the second phase is when you start sending money, getting inspection reports. And their stages when you have the final negotiation, final wrapping up. So, there's so much that goes into the acquisition but those are just, I just listed out some of the major parameters. So those are good as goals, if you use them correctly.

**0:16:58.8**

**WS**: No, that's really good. And I just think so much that could be applied to other aspects of real estate not just mobile home parks. Numerous things you listed there about the acquisition algorithm or the relationships and finding the people and building their relationship is so crucial in the market, all those things. Grateful for that. We're gonna jump to a few final questions. Charlotte, what's the big challenge you all had in the last 12 months?

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**CD**: The biggest challenge we had was eviction moratorium. We started in 2019 into 2020, so we all know, we got caught with Covid 19. So we really started with Covid and is kind of not over. And when the eviction moratoriums were in place in most of the states, we've been

having issues especially with tenants who already weren't paying really that well and all of that in this kind of protection for them. And they know that we have no ammunition to get them to pay. That was difficult. So, what we did was that we always try to be advocates for the tenants. We applied for rent assistance on their behalf or encourage them to apply for rental assistance including local ministries, charitable organizations to receive rental assistance payments so they can get caught up. So, we tried to work with the tenant. That was actually one of the biggest challenges is eviction moratorium and good thing is we are finally seeing that light at the end of tunnel. Those moratoriums have been lifted.

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**WS**: So, you all took really a proactive approach there, and instead of just coming down on the tenants and say, come on, you have to stay in touch about those things, right? They do need to know they need to pay their rent, of course. However, you all were proactive in the sense that you went out looking for assistance and help them apply for that assistance.

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**CD**: Right, there had to be some actions because if you just ask someone who didn't have any intention or didn't have the money to pay, there's nothing that you're gonna get out of that. So, putting on something that won't work wouldn't drive any results.

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**WS:** Did that change how you all look at properties moving forward? How do you look at the tenants that are out of property moving forward? What did that change in how you operate to buy the next deal?

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**CD**: Absolutely. So, we think tenants in mobile home parks, or really any rental property in real estate, as kind of stakeholders, business associates of a company, stakeholders of a particular deal because they live there and they own the home that sits on the lot. And it's difficult to remove that. So, you wanna make sure there are no bad actors, bad players, or very little bad players in a particular park. You wanna make sure if you're business is bfull of really bad

business associates, bad stakeholders then your business wouldn't flourish. So for us, that really made us realize that even more, a good tenant is as good as gold. You wanna make sure you kind of vet them a little bit more. You wanna make sure you really verify that income. If you see a history during your due diligence that there are so many people not paying, then I will be actually careful with that. So that's something that we definitely would focus on.

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**WS**: Do you have any market predictions just for the real estate for the next six to 12 months? Are you all buying, selling? What do you all see coming?

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**CD**: I think because the rates are going up to fight inflation, I think that prices will start to go down slightly. As far as how fast, I think that depends on the market, individual market. But I think in the next one or two years, there could be, the mobile home park space could be facing up a correction, a market correction. Some markets may be delayed in materializing that correction. You may not see the price reduction in some markets. But I think as a whole, I've been thinking that it will be some sort of slight correction. But so sit tight as investors can survive this and continue operating your park well or assets well, whatever you're doing. The market is always having a cycle. So mobile home parks, I think is still early on in the cycle. So, I still see this asset class going up. It's just that markets are always having corrections and I wouldn't worry too much about it. And as far as recessions, people say recession is coming. Mobile home parks will be somewhat of a recession -, I wouldn't say ‘proof’, but recession-resistant asset class. So, sit tight, relax and survive this.

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**WS**: What's your best source for meeting new investors right now?

**0:21:11.3**

**CD**: Well, best source, I think the best sources for any kind of marketing, any kind of getting to new customers would always be a lot of referrals. We only had two investors when we started. Now, we have 27 people who actually invested. Most of them are from good referrals from the

internal network, they've invested deals with us, multiple deals, and they've liked what we were doing, and they refer to us. And then our website and we're very active on our social media as well.

**0:21:41.9**

**WS**: Incredible, it's incredible that you all bought 26 deals and have 27 investors. It's impressive to me. So, they are obviously happy, they're probably repeat as well.

**0:21:51.9**

**CD**: Absolutely. Yeah, most of them are repeat investors.

**0:21:53.3**

**WS**: That says a lot about value, that's incredible. What are the most important metrics that you track?

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**CD**: Metrics for the parks' performance?

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**WS**: I ask it that way on purpose. You can answer it in any way you want. It could be something personal, it could be business-wise, it could be park-related, the most important ones to hear.

**0:22:08.7**

**CD**: Okay, well, the most important metrics that I care about -- for deals, number one, the internal rate of return, IRR, within a particular deal. Usually, our assets have shorter hold times. So, three to five years usually. So, within three to five years, IRR is extremely important. The second one is the annualized return after capital gains, after we exit. That's the second one. The third one is the equity multiple after what we exit, so how much money of investors, that's for investor, not return only for investors. As far as the promotes, for us, we don't count that in. So, those are the three most important metrics that we track for deals.

**0:22:48.1**

**WS**: That's awesome, thank you. What about some daily habits or things that you are disciplined about that have achieved the highest return for you?

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**CD**: Read. Read the books, I learn from them. And if you can develop a habit as a reader, read a lot, you would learn always, and you will always learn new strategies to improve your business. And go easy on letting yourself be affected too much by other people's success as well. I think that can be challenging, especially if you're starting out and you hear those words, oh, this person made a million dollars, he made a million dollars. So just be careful with that because you know that a lot of those are marketing. A lot of those are just because you don't know what they're going through behind the scenes. So, just to be careful with that. Believe in yourself.

**0:23:32.7**

**WS**: That's very wise, right there. Very wise. Yeah, you focus on yourself getting 1% better every day.

**0:23:39**

**CD**: Absolutely. Only compare with yourself.

**0:23:41.7**

**WS**: That's right. What's the number one thing that's contributed to your success?

**0:23:45.5**

**CD**: I think it's my experience coming from China. So, I was born in China and came from China when I was 16 years old by myself. My parents never came with me so I pretty much hopped on the plane, met my host family who I never met, and learn English from scratch, and pretty much, just the whole experience really built character.

**0:24:03.3**

**WS**: Wow, no doubt about that. And how do you like to give back?

**0:24:06.3**

**CD**: I think to give back, I think I would like to take on the role of a mentor for people who are starting out. Because people tend to forget once they achieve some sort of success where they came from. And I think to give back, you can, especially if you graduated from college and the college is nearby. For me, I graduated from Georgia Institute of Technology, and there you can sign up as a mentor for students who are looking to get into real estate, getting to the professional world.

**0:24:36.0**

**WS**: Charlotte, it's been a pleasure to get to know you and have you on the show. You've provided a ton of value to listeners and myself. Just thinking through the Blue Ocean Strategy, how you applied that, also the acquisition algorithm and how you all are finding deals, two topics that you were able to go into quite in-depth. So, I'm grateful for that and the value that you've added to us. How can the listeners get in touch with you and learn more about you?

**0:24:59.5**

**CD**: Right, so the best way to reach me would be to go to our website at JohnsCreekCapital.com. There is a short contact form, I usually reach out within a couple of hours after you fill it out and we'll have a conversation and go from there.

**[END OF INTERVIEW]**

**[OUTRO]**

**0:25:11.9**

**WS**: Thank you for being a loyal listener of the Real Estate Syndication Show. Please subscribe and like the show, share it with your friends so we can help them as well. Don't forget, go to the LifeBridgeCapital.com where you can sign up and start investing in real estate today. Have a blessed day.

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