EPISODE 1366

[INTRODUCTION]

Kevin Bupp (KB): Looking back, I don't know if I would be in real estate today if it wasn't for his mentorship. I had that first little taste of it but I don't think that I would have actually gone and done anything with that. I wanted to, I just didn't know where to really plug that energy into. So, that truly was a game-changer for me. And again, looking back and seeing how we kind of handled that mentor-mentee relationship, I think that is absolutely critical for anyone that's getting started. I mean, go find that individual that's already doing what it is you want to do.

Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Most of us, if not all of us, have heard horror stories about the 2008 recession and what happened. Many of us don't really understand what actually happened and how that compares to today. Our guest today, he had a real estate business, and it was growing, it was thriving, and then 2008 happened and the worst happened to him. He's gonna walk through that, and he's so transparent about it. I'm so grateful to our guest today, Kevin Bupp. He's going to tell you about how he got started in this business. Even how he found this mentor in there, about their relationship. It was so beneficial to any of us that are getting started but even as you grow in this space, he's going to tell you even about some different asset classes a deal, an example deal that he's going to walk through that was very beneficial as well. He did such a good job at that, but then also just being real about the crash of 2008. How that affected him and how he's looking at deals differently now and how he's been conservative. But what does that actually mean? We hear a lot of people say that. What does that really look like when you're underwriting a deal to be conservative. He's gonna walk us through that.

Many of you may have heard of Kevin before. He is the founder and CEO of Sunrise Capital Investors which invests in mobile home parks, parking lots, apartments, offices, and single-family homes across the US. He has 16 years of experience educating investors to locate wire and create higher than average returns, a widely misunderstood mobile home park investing niche. He shares his expertise through the Mobile Home Academy and also, as a host of the Real Estate Investing for Cash Flow podcast which has become one of the hottest real estate podcasts on iTunes. Kevin shares many things and also I'll go ahead and share with you, he has a new book coming out. You can find that on Amazon. Of course today, you can find it for free at KevinBupp.com/free-book. You're gonna learn a lot from Kevin today.

[INTERVIEW]

WS: Kevin, welcome to the show. Honored to have you on. I know you have become an expert in mobile home parks, parking lots, built-to-rent projects, and numerous things in our space. Looking forward to the discussion. Thank you for coming on.

KB: Yeah, Whitney. Thanks for having me. It's good to see you, my friend.

WS: Kevin, give us a little bit about you. Maybe your backstory. I know you've been doing this a long time. I mean, you're so experienced. So, tell the listeners a little bit about that. And let's jump down to some of your expertise and some of the asset classes that you focus on.

KB: Yeah, absolutely. Thanks for having me here. I'll try to keep this somewhat short. So, I've been a full-time investor for more than two decades now. I always joke and say that real estate kind of found me. I would say I wasn't looking for it but it came along at the right point in my life. I was introduced to it at the age of 19, bought my first property at the age of 20, and really fell under the wing of who became my first mentor. He happens to be dating my girlfriend's mother at the time. Just kind of a random, you know, random story. He was a local real estate investor where I grew up, Whitney. Looking back, I guess, you could say in the grand scheme of things, he didn't have thousands of units. He had, I think roughly, 40 units in total, 40 doors in total. But that was a big deal to me. He lived a very different lifestyle than what I lived growing up. He seemingly had a lot of flexibility and a lot of time in his schedule, drove a really nice car. Again, he was kind of around during the day hours when, you know, my parents were working. So, it was really odd to me.

Now, fast forward. We know that being a successful entrepreneur gives you some of that flexibility that you might not have when you're in the W-2 grind. So anyway, I started buying when I was 20 years old. It was initially just following his plan, his model which was single-family. His was single-family holds. Okay, so I didn't want to reinvent the wheel. But what I found out really quickly was that I had $7,000. I made that money bartending. I attended bar in the evenings, went to school during the day. And then on my off hours, I basically was working for him for free, around him as much as possible. And then, you know, it took me about a year to buy my first property. When I bought the first property, I used all that $7,000 and use a private lender relationship that David had introduced me to.

But I realized very quickly that a couple of hours a month of positive cash flow, it's gonna take me a really, really long time to buy the second property. So, literally less than a year into it, it was I think, about seven months, I actually sold that property. I sold that property, made a profit on it, and then really converted my model to more of a wholesale two, three properties and then keep one; wholesale two, three, keep one and it got down to wholesale one or two. I got it to where I had actually working capital and money to redeploy into new assets. So, that I could build an actual portfolio and not have to take 20 years to acquire 10 properties. And so I did that for many years. I did that for you know, roughly I guess leading up to 2008. I focused on single-family. I ended up acquiring about 130 single-family rental properties in my portfolio and a few hundred smaller multifamily properties. I felt like I was doing quite well in my early to mid-20s. And then, you know, that led us into 2008.

I was down here in Florida at the time. I started in Pennsylvania, moved down here when I was in my early 20s, and got absolutely crushed during 2008. It was a very, very different type of recession than what we're kind of rolling into right now. Florida was a very different economy than what it is today, it's much more diverse in nature. Back then it was heavily geared towards the construction industry, lots of jobs revolved around construction. There was a lot of excess building happening, lots of rooftops for populations that weren't here. And so, that had detrimental effects when the music really stopped. So, fast forward a couple of years after the recession. I was introduced to mobile home parks, just by happenstance like these things usually happen. And so, intrigued by the business model that I get kind of committed that as I went through this rebuilding phase, rebuilding what I had lost that I was going to do with mobile home parks. So, I went out and bought took about a year to buy the first park after my initial introduction to them. And that was in 2012. I bought that property in Atlanta. In fact, I just sold it a little over a year. We own quite some time that went really well and bought the second, bought third, bought the fourth, the story goes on. We ultimately started syndicating about six or seven years ago. Started actually putting capital in from outside sources after we kind of ran out of our own. Now, we own communities in northeast, southeast, in the midwest, amongst 13 different states. And then aside from mobile home parks, we've ventured into a few other endeavors as well over the last couple of years, one being parking. So, parking lots and parking garages. And then the most recent initiative is a few build-to-rent projects in the Phoenix marketplace. So again, just high-level view of kind of the last 20 years of my life but everything has revolved outside of a few other side businesses, pretty much everything is revolved around being a real estate investor.

WS: That's incredible. I didn't know parts of that story about you. That's awesome. I mean, first property at 20 years old. It's interesting you found this mentor, and it was attractive to you the way he could live that was so much different than you or maybe your parents or what you had witnessed growing up. But you also mentioned that you worked for him for free for a while. Was that beneficial for you? Was that a great time? I mean, of education? Or do you feel like that helped you to push forward in a big way? How would you talk to yourself now, knowing what you know now, if you had to go back and say, hey, Kevin, you need to do this?

KB: I get a little bit more of the background story of how that relationship came together. I'd see him over at my girlfriend's mother's house quite often and we just became friends. Ultimately, within a couple of months, and I don't know what it was, I had never even asked him this question, I probably should have, but like maybe he saw like I'm kind of floundering like I didn't know what I wanted to do when I grew up. Like, where I was going, taking classes, general classes, not really working toward any particular degree. At that time, I was going to community college and I was tending bar in the evenings. I was saving my money. I felt like I was a fairly responsible 19-year-old, you know, straight like an arrow but I just didn't know where that arrow was flying to. So, maybe I could, I should go back and ask him this question.

But at some point, he invited me to a real estate boot camp down in Philadelphia. Again, I knew him for a few months. He and his business partner had bought tickets to this real estate boot camp and his partner couldn't go. So he's like, hey, he's like, I don't know what you got going on this particular weekend but I've got a three-day boot camp that I paid $5,000 to go down to Philadelphia. Would you like to attend? I know that you're going to school but this could be something of interest to you. This is basically in alignment with what I do for work whether or not you have an interest in that. And I'm like thinking to myself, that's kind of randy he invited me but heck, $5,000 he paid for this? He's offering, you know, for me to go with him? Yes, yes, I will go right. And so I went to this conference, and I was overwhelmed. I mean, this was all new. I'd never even read a book. I mean, he gave me some like resources before we went and said, hey, like try to read up on this learn a little bit before we go there, learn some terminology and things like that. In fact, it wasn't really books, even like cassette tapes, that was way back in the day. You know, cassette tapes and deck, CDs and things like that.

I went to this conference, and I met a lot of people there. There were a few hundred people there. I met a number of people that were doing, to me, were huge things. People that were, you know, wholesaling 15, 20 homes a year. Now, I know guys that do hundreds and hundreds of them a year alright. But these people were making $5,000, $7,000, $8,000, $9,000, $10,000 assignment fees, and they were doing 200,000 plus dollars. To me that was just such a massive mountain to climb. But these people seemed like just normal people. They didn't seem like they were any smarter than I. They just had a little bit more education and knowledge than I did in that particular topic. And so I left that boot camp just excited. I mean, whenever you go to a conference, I mean, especially when you start seeing new ideas, and you learn a new angle on something, you're just excited and you're anxious. I left there with all those feelings about what I knew was going to happen more than like this. If I didn't find a way to apply some of the basics, a fraction of the techniques that I learned to do something with it, I was just going to go back to normal. Going back to school, tending bar, and most of it would just vanish. Anything I learned, it would just vanish.

And so I didn't know where to start though. I mean, it was overwhelming to me. So, I basically went to him and I was able to observe him in his business over a couple of months of knowing him. I realized that he had a few key weaknesses in his business things that frustrated the heck out of him. And one of the big ones that frustrated him was technology. I mean, the guy, he does struggle on the computer. He struggled with these even simple things like emails. I saw him put together a PowerPoint one day for one of his private lenders, I guess, like this duplex that he was buying and it literally took him three days to put together. It's probably the worst PowerPoint presentation I've ever seen in my life. I mean, it was horrific, like a two-year-old did it. So, I basically presented to him, hey, let me help you in your business. I think there are areas where I can help you become more efficient. All I ask, as intern, let me hang around. I mean, I'll literally hop your day along on the areas where you get bogged down. Maybe it's dropping off a lease, maybe it's, I don't know, run the Home Depot or whatever it is, it doesn't matter. Let me help you. Technology was a big piece of it. In turn, just please let me hear how you talk to people. Let me learn what it is you really do.

Ultimately, a great friendship was formed there and I shadowed him for 14 months. I got to meet his private lenders, and go have lunches with them. We'd meet with other investors. He was part of this little, we didn't have any investment clubs where I grew up, but he had a lot of other friends that were local real estate investors. So, I got to meet them. I got to hear them talk about all the good, the bad, the ugly of being a landlord. Just all those incredibly critical and important things as you enter into that business. And so looking back, I don't know if I would be in real estate today if it wasn't for his mentorship. I had that first little taste of it. But I don't think that I would have actually gone and done anything with what I wanted to. I just didn't know where to really plug that energy into. And so that truly was a game-changer for me. Again, looking back and seeing how we handled that mentor-mentee relationship, I think that is absolutely critical.

For anyone that's getting started, I mean, go find that individual that's already doing what it is you want to do. I guarantee there's a skill set that you hold, whatever it might be, I do know there's a skill set, something that you're good at that they might not be all that great at to where you might be able to add value to them, bring value to their business and help them grow or help them gain some efficiencies. And in exchange for that, you'll learn something along the way. You'll be able to ask questions to someone that's been there. They've done that, they've made the mistakes, they've been through the wringer many times over again. And so yeah, it was a great experience. I've had many other mentors along the way but that one right there was the critical step in my professional career.

WS: I appreciate you elaborating on that. I feel like often we're not willing to go seek somebody out like that or offer to work for free or be with that person. But you really took the time to figure out some of frustrations. It's a great place to focus when you're trying to help somebody. It's around some frustration, just tech, even just running errands for them. What a prime time for you to do it when you were 20, you know, younger, maybe you know, it's prime time. So I just appreciate you elaborating on that. I want to talk a little more about your experience in 2008, some of that, and then compare to what's happening now and even coming through that. But I want to save that for a few minutes. And I want us to dive into some of the asset classes that you got into just so the listener knows. I want us to talk a little more about what your outlook is, the treasury, interest rates and things that are happening, some basic fundamentals that you've learned that you've stuck to. And from this experience that you had, I'm sure as well that that shaped many of those things from 2008. But before we do that, tell us a little bit about why you picked switching from the single-family home plan to the mobile home park plan or even to I know you're in parking lots as well. Speak to that asset class a little bit and why you got laser-focused on that?

KB: Yep. No, that's a great question. And just to clarify, before the crash happened, my main focus was single-family. That's kind of what I built the business around. But leading up into the crash about three years prior, I tried a few partnerships and a number of multifamily properties, and the largest one being like 72 units. And so these weren't massive 300-unit complexes, a lot more like 12 and 18-unit communities. What I realized, again timing was fairly bad but what I realized when I compared the operations, that because we had the property management in-house, I partnered with another group that had a fairly large property management infrastructure. Prior to that, I'd done it myself until I just literally was about to pull my hair out. I thought 30 properties. I was like, you know, it just didn't make sense anymore. Ultimately ended up using a third-party management for a short period. And then just partnering with a group that had a larger infrastructure. But long story short, I saw a lot of inefficiencies that existed in my single-family stuff that were spread out literally amongst five counties than that of what existed in these apartment complexes. Even the 12 and 18 units just ran much more efficiently than that of the 12 or 18 scattered single-family properties.

And so then, 2008 came and a lot of that debt that we had on like even the multifamily properties were five-year commercial loans and a lot of that stuff reset at the wrong time. And a lot of banks, they need to get these things off their balance sheets, and we didn't ever lose money, we didn't make money, a lot of multifamily stuff we were able to fire sale and sell it at the wrong time. It just we couldn't get new debt put in place. A lot of single-family properties, we had challenges holding on to. A lot of the banks weren't willing to work with us and to have a loss mitigation department set up at that point in time. It took them over a year to really get their act together. About a year and a half for banks to really build that side of their business to where they could help with loan modifications and short sales and things of that nature.

So, but anyway, long story short, when I was ready to rebuild, it took me a couple of years. I took a couple of years not necessarily off but it was like damage control. Looking back, it made me a much different person. It just allowed me to focus on health and things that I could control in my life because I felt like that side of my world was out of control. But three years of just dealing with damage control and then I was ready in about 2011. That fire never really went out. The flame never went out, the real estate flame, and I was really ready to kind of get back and rebuild what I had lost. I kind of went on a mission to interview and talk to as many people as I can last fall that we're now back in the real estate game. Maybe I've never left it but you know, the landscape was different. The 2011 landscape looks very different than what it did in 2007, 2008. And you know, along that path, what I found is that multifamily is going to be the most efficient way for me to rebuild this. I didn't want to deal with the single-family stuff again. Plus, I had met a girl who now became my wife. I really wanted to focus on building a family. I just knew that I could much easier buy 120 multifamily doors and out of 120 single-family properties. And so multifamily was going to be it. I'd already made up my mind.

Then one of my good friends said, hey, you need to go meet Randy. Randy, he's been a banker for 30 years. He lent on a lot of multifamily but he also retired recently, and he bought mobile home parks. He owns three here in Florida. You should go have lunch with and he's just a cool guy. And I would have lunch with Randy for no reason other than just expanding my network. That two-hour lunch with Randy, we talked about 2008, talked about the crash, talked about multifamily and kind of my plan to rebuild. And he said, why haven't you ever considered mobile home parks? And I said, I don't know, it's just one of those asset classes I've never considered back then. It was under the radar. Nowadays, it's like the neck, it's the big flavor, right? And that multifamily. But you know, back then it was not. He just intrigued me with many different aspects of it. One of the big ones being much lower turnover, much easier management because most of the residents own their own homes, it's really expensive to move the homes out of the park. And so, you don't get, 40%-50% turnover on an annual basis like you might get in an apartment complex, just a litany of factors. And it intrigued me enough to where I left that meeting, I said, I need to go buy a mobile home park and either prove or disprove, all these things that Randy has to say. And so that's kind of my introduction.

That's why mobile home parks and you know, again, back then it was a much more fragmented niche than what it was today. What's become today, there's lots of institutional capital trying to pour into the space, billions upon billions of dollars. Back then, it wasn't the case. Back then it was very much a mom-and-pop industry, very fragmented in nature, and which lent itself to a lot of opportunities in multifamily. There have always been lots of institutions in that space but even more so over the last decade. So, multifamily is already being consolidated back then, mobile home parks not so much. I just saw a great opportunity there. I saw that it was somewhat of a contrarian investment. It was going against the herd, you know, the herd was running the other direction. Buying multifamily, buying single-family properties that were in distress, we really hedged our bets on mobile home parks and I'm glad that we did.

WS: Yeah. So, you saw a great opportunity, and you saw less competition, and why not? That's a great time to jump in. Would you say that now? I mean, knowing what you know about mobile home parks right now. And you know the listener that's saying, I'm trying to figure out which asset class I'm going to be laser-focused on. Would you consider mobile home parks today?

KB: I'll try to answer this as straightforwardly as possible. There's a lot of capital pouring into the space. Mobile home parks have a unique aspect to them which has pros and cons associated with it. And that aspect is it's the only asset class as a diminishing supply. There's no new supply or less new supply coming on the market. Then supply is getting either redeveloped or torn down or shut down for whatever reason. The numbers are dwindling. Again, I'm not gonna go into details of why that is but just basically new, more mobile home park supplies aren't coming to the marketplace. However, you got more capital trying to pour its way in here and a lot of that capital trying to get into the sector, especially the institutions of private equity. They have a much lower cost of capital than that of guys like you and me, Whitney, you know, just the typical professional investors. Their cost of capital is much lower than ours, meaning that they can be much more aggressive with buy prices. They don't have to get a 250 basis point spread between the going-in cap rate and the interest rate. They're okay probably with 100 basis points spread which is razor-thin for the majority of us. And so, it's created a lot of challenges in buying quality communities.

Now, those institutions are going after the 30 space communities and secondary tertiary markets. I think, there's still opportunity there for this smaller investor that wants to get in to buy a couple of assets as far as getting into the space and looking to deploy. If you're saying hey, I want to open up, I want to start a syndicate and I want to raise $50 million or deploy $50 million of equity into mobile home park space, you're going to find it quite challenging to do at least sufficient returns for your investors. It's just getting a lot of demand; increased demand, limited supply. There's a major imbalance happening right now. You know about a year and a half ago, we follow Green Street Data and multifamily had always historically traded at lower cap rates than manufactured housing. I think you know, back kind of halfway through the pandemic, multifamily was trading somewhere on average across the board, 4.1 cap, 4.2 cap, something like that. At some point, manufactured housing dipped below the 4 cap mark across the board as far as average pricing. Now those are more than likely Class A assets and prime markets but come very challenging to buy anything at the right price.

So, I don't want to discourage anybody. If you think that you're going to go out and you're going to buy 150 or 200-unit mobile home park in a primary marketplace and you're going to buy it at six cap, it literally doesn't exist. I don't want to be the negative Nancy but that literally doesn't exist. That park will trade more than likely probably at a four cap today even with rates where they're at. Watch One Trade the other day in Birmingham, err, Huntsville, Alabama, it was a B plus. You know, nothing fancy, no amenities and it traded for a sub-4 cap. That's very challenging to make money. At least with the type of money that you and I have from our investors, from retail accredited investors, it's very challenging to make money in that space.

WS: You mentioned that you follow Green Street Data. What is that? What does that mean?

KB: Yeah. They're a conglomerate that compiles data across all the various different asset classes in commercial real estate. They follow the sales trends and the growth trends, new supply coming on the market, and things of that nature. So it's probably the most highly respected data in the commercial real estate world.

WS: Now. That's great to know. I get tons of questions about where to find things like that.

KB: For example, they've got a lot of information on multifamily. So Green Street, basically, they are the go-to when it comes to all the food groups in the commercial real estate world and they have specific data on manufactured housing and they've got industrial, office, retail, hospitality, all those.

WS: Okay, that's great. That's a great resource. How can the listeners get in touch with you? And also I know you've written another book, tell them how they can get their hands on that book as well.

KB: Yeah, absolutely. Thanks, Whitney. Yeah, you can see it on my shelf back here if you're watching the video. It's called "The Cash Flow Investor: How to Create Legacy Wealth Through Commercial Real Estate Investing". I just launched the book about a month and a half ago. You can buy it on Amazon for $20. Or you can just go to my website and I've got a free copy up there for a period of time. Just go to KevinBupp.com/free-book and grab a copy of that. You can also contact me through my website, KevinBupp.com. Just go to the Contact Me page, and that's where I host my podcast as well. If you want to learn about what we've got going on as far as in the investing world, our company, Sunrise Capital Investors, you can go over to InvestWithSunrise.com.

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[OUTRO]

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