EPISODE 1391

[INTRODUCTION]

Neil Timmins (NT): I think we may see ourselves in a very different borrowing environment. But I think the positive side of that is as long as you set yourself up and properly manage the choppiness along the way, we're going to be presented with perhaps the greatest opportunity that we've had in our lifetime to create monumental wealth.

Sam Rust (SR): This is your daily Real Estate Syndication Show. I'm your host Sam Rust. Joining us today is Neil Timmins. Neil started early in his career as a real estate agent, becoming the number one RE/MAX agent in Iowa at 29. Then, he moved from just solely focusing on his agent business to flipping, wholesaling, novating properties. Along the way, a lot of good cash wins but consistent cash flow is missing from the equation. Neil then focused his efforts on commercial real estate and achieve financial freedom in short order.

[INTERVIEW]

SR: Neil, thanks for joining us. Looking forward to the show today.

NT: Great to be here. Thanks so much for having me on.

SR: So I'm curious, maybe go back even before you became a realtor, I know you played football in college. What was the path like after college as you know, you want to get into real estate? Did you fall into it? What's the journey like?

NT: Go to college you went to the University of Nebraska Omaha. Came back here to Iowa to Des Moines and got my first job at Wells Fargo. Became a personal banker, checking account, savings account, second mortgages.

SR: Is that as boring as I think it is?

NT: It's way boring. Yes. Yeah, you got it. The benefit there was I got a lot of, I didn't originate first mortgages but I had a lot of working relationships with folks who did originate first mortgages, big refinance, boom was taking place in that era. And so, I was like the guy who did second mortgages for this call center out of Des Moines. Like 20 guys doing refinances over the phone all day. I got a big exposure to finance. So, understanding first mortgages which helped me when I eventually got into real estate. So, while I was working at Wells Fargo, one day, we were sitting around, my mom was like, you know what, all the kids are out of the house, all four of you boys. I gotta go do something now. I can't stay at home anymore. What should I do? And I thought about it for like, 10 seconds. I was like, you know what, you should be a realtor, you'd be great at that. You love people, you love houses, you should do that. And she literally was like, okay, you know what, I'm gonna do that. You're totally right. She went and did it, had tremendous success. Her first year goes by and she areand I are talking. She tells me how much she makes, made twice as much as I did working at Wells Fargo. And I was like, wait a second, time to make a change. And so that's what I did. Got into real estate. I was at Wells Fargo just under two years and went and joined a traditional brokerage and that was my first step into the real estate industry.

SR: What did you learn in your time working either at Wells Fargo and then at RE/MAX in the single-family stage before you started branching out and doing wholesaling and all those different things and then eventually turning into commercial? What skill sets did you pick up in that five-year window that you've carried with you from tipping forward to today?

NT: Marketing, in a big way. Selling and team structure, building a team.

SR: Flesh out the marketing one a little bit. What specifically because I know there's a lot of folks that listen to this podcast that are interested, they're maybe doing their own real estate business, or they're trying to get started and marketing is a crucial piece of that.

NT: Yeah, for me, it's direct response marketing. So, my first coach and mentor inside of traditional real estate, was all direct response, not branding, not really positioning. It's, you know, send them an offer and get them to respond to an offer, raise their hand if they want to sell a home, really just get direct response marketing. And then, that led me down a path of studying Dan Kennedy's work, and then a whole bunch of folks in that realm. While I don't, you know, I wouldn't say major in it, if you will, but I'm a student of it, so that, you know, when we bring something on and we do a marketing piece, there's the thought in the back of my mind that go, how does this line up? What kind of responses do we get?

SR: Do you use direct response today in the commercial side? What's an example of that in its simplest form?

NT: An example would be, you send a postcard, send a letter going, I want to buy your property, call me back, you know, I want to buy property ABC, whatever the story may be. Here are the benefits that I can give to you. I can buy it as is and combined for cash and whatever your benefits are, you can pick the closing day you want to close. I can help you facilitate a 1031. Call me back. And so, the direct response is there. You know, the only one option is not, you know, they don't formulate like, oh, that person is now top of mind like a Goodyear blimp flying over any event. I need to change my tires three years from now, right? I go get Goodyear tires. Do I want to sell my property or not? And if I do in the future, great, maybe it becomes sticky. So, I put in the top drawer of the desk and maybe I'll call him back at some point in the future.

SR: What avenues are you using direct response today? Is it solely for property acquisition? Are you using that on the investor hunt as well?

NT: Solely on the acquisition side. Yes, solely on the acquisition side.

SR: When you're going direct to seller, are you doing notes, mailers, online?

NT: All of it. Yeah, we tried it all. Yeah, from a mailing standpoint. Yes, letters, postcards, notes, sticky notes on top of a letter, tried multiple things, because always trying to test what gets a response. And I get asked, what's the best one? Well, the best one is the one that lands in somebody's hand when the timing and circumstance are perfect. So, almost to my experiences, like, as long as your message is clear, and you can convey that it's not too wordy, they all work.

SR: So, something that I get asked a lot by people who want to go down that path is how do I know how much to spend on direct response marketing. They're worried, you know, I'm going to spend $10,000, and I do something wrong in my wording, I'm gonna get zero responses. How do you answer that question? When people come to you, like, you know, Neil, I want to get into this. I want to start fix and flipping homes or wholesaling whatever it is, what's your answer?

NT: Alright, so those are two different sides. So let's say on the commercial side, or on the fix and flip side, and the commercial side. Well, there's only so many commercial buildings that even exist in the whole state. So in my mind, my goals has been as much as I possibly can, because there's always a return there. If you can get a response, if it is, you know, what it is hereafter. So for other folks getting started, you may not tend to be that aggressive if you will. Identify a budget. But you're gonna have to, a hundred probably doesn't move the needle. You're gonna have to send out, I don't know, 500, a thousand, 1500, 2000 to get any level of real material response. Going back to the question, the question asked me earlier, one of the skill sets that I was able to build on the house side is that I just, there's so many houses. I get so many at Bats that you just get really good, you get really comfortable speaking with people, understanding how to ask those questions, how to answer those questions. I think that would be a particularly challenging skill set to build if somebody's coming straight into commercial without already possessing that skill set. Because the number of bats you get are not as significant that every deal is worth all 20 times more probably,

SR: **T**hat makes sense. What are the KPIs that you keep track of today, and you're trying to reach out to, if not all the commercial properties in Iowa, a vast percentage of them? What are you paying the most attention to?

NT: Our response rate. Say, you're gonna mail, a thousand apartment owners? If you gotta mail a thousand units, great. How many people actually call back? What kind of response are we getting? And then of those people that call back, what percentage of them are actually interested in selling? Meaning they're not been inclined to tell you to get me off your list. So what's the response there? And then from there, it's how many offers do we make? And how many offers we accepted?

SR: What do you generally find, if you don't mind sharing what your response rate is? Tto just get to somebody who's theoretically interested. You may not close the deal with them, but they at least got to engage with you to see if I might be willing to transact.

NT: Yeah, it depends on the property type. I say that because, if you had a shotgun approach, it's not that many. I mean, you could send out all 100 to 200 and you'll end up with, you know, 1% to 3% response rate in terms of having that engagement. But I'm suggesting that if you said I wanted 100 apartment units, somewhere between 100 and 200 apartment units, our response numbers would not look anywhere close to that. I'm suggesting just a, you know, shotgun approach, we just said. Any and all commercial, it doesn't take much to get a response. But the more granular they make it, the more narrow that focus is, the lower that response rate's gonna be.

SR: And based on my personal experience, which is somewhat limited with this type of marketing, but I would guess that the larger community or complex that you're going after the lower your response rate is going to be, almost no return.

NT: That's exactly right. Yes. You know, and part of that is, it's not just the dollars and cents, it's not just all of a sudden, the fact is 200 days, what both of those things mean. And it typically means more sophisticated, typically, managerial structure in place in several cases. First is, you know, if you just said, I want to buy a $500,000 commercial place, whatever that is, it doesn't matter, you know, a sixplex while a mom and pop runs that. But just a person does that, you know, oftentimes, they're just doing it all. They don't have that structure that has not peered things. You're gonna mail that, go into their personal house, just a different recipient of that piece, and therefore they respond differently.

SR: But it's interesting. Well, thanks for indulging me as we went down that rabbit hole a little bit, I know that that's hot on people's mind, particularly as the environment is flipping to be maybe a little bit more acquisition-friendly, or people are looking to retire. And a lot of times it is those mom and pop owners that are willing to entertain somebody who just reaches out to them and elicit some sort of response.

NT: You're exactly right.

SR: So, we've talked about your evolution from Wells Fargo to real estate. Go into a little bit of detail on what got you interested in commercial real estate and how that change happened?

NT: Yeah, so I spent years and years as a traditional real estate agent, selling houses or representing buyers and sellers, and then finally evolved into single-family investing, fix and flip, like you said, novation. Just have done it all, bunches of single-family rentals, dozens and dozens of them. You know, I got to the point where I was finally going, all the single-family rentals, I thought this would mean passive income and I learned the hard way, it's anything but passive. I mean, literally, like anything that could go wrong in single-family has gone wrong. And they only go wrong in rental properties. Like nothing breaks in my own house for some reason, right? So, I got to a point where I was going, you know, get my eyes open and figure out how to get this to a path of freedom. How do I get time freedom and then money freedom? And I stumbled into a deal. My first property was a seller-direct deal with a small targeted list. Bought an eight-plex, and then, you know, it's dented and scratched, you just need to do everything. So, we all tore it apart, put it all back together, filled it up, refinance the traditional methodology in this. And cash flow was like a champ. Then, I got another one, and then you know, next year, I got a couple more. And just for me, I just became a very avid reader, a student of that business to continue to go down, down, down deeper down this rabbit hole, if you will, to expand my holdings and eventually get to a point where I've asked quite a few and it just significantly overtook all the things I do in the single-family world.

SR: Yeah. And so what's your portfolio look like today?

NT: Industrial got several thousand square feet of industrial retail. We've got medical office, traditional office, and then some small apartments, but not a tremendous amount of holdings in apartments.

SR: Okay, is that intentional? Or are you just chasing the areas where you found good success?

NT: Yeah, choosing areas. For me, if I liken this to the single-family side, whether it was a house, a condo, a townhome, a piece of ground, if I get my head wrapped around, is there value there? Yes or no? And can I make it go? Great, I buy it? Well, it's the same thing has been true for me in commercial real estate. If we can make the numbers work and appropriately manage it via third party, we just make a go of it and get it to work. And, you know, a lot of people think there's so much, so many things are so very different between all those industries. Industrial office, medical office, 90 plus percent of those and retail for that matter, 90 plus percent of all those are identical. When I'm buying these, I'm not developing. So, therefore it becomes easier on the other side on the backside to acquire and know exactly what it is I'm getting in any one of those.

SR: Where along that process, did you start raising funds? I was browsing around on your website, Legacy Impact Partners, obviously, you're soliciting funds. Now, at what point along the way?

NT: We've only raised funds a few a little bit, not a lot. But it's really only been in the last year that we've taken any outside investors in anything. And part of that is you know, just had such a significant track record and success and being able to roll dollars and cents forward into projects and get it to go or get seller financing in some cases to make it go. And so, I've really put raising capital in the very back into this process. As we start to say we don't do anything myself at the team here, as we continue to really hone our skills and identify the deal flow and the deal opportunities that we're really good at executing on and continue to raise the dollars in terms of the size of those deals. So that's been our sweet spot for what we do.

SR: And you mentioned Iowa quite a bit. You live in Iowa, you're primarily focused just on Iowa, is it kind of your goal to go a mile deep and an inch wide, so to speak, at least geographically?

NT: Yeah, for myself, yes. I do buy in other locations with a partner. So I work with partners, I got a partner vetting the deal in other locations so they know the market, they know the area. I let them lead that charge. And then I come on the backside of that, but we're not, my team is not one too often study or home in other markets. We've had so much success, you know, being born and raised here, knowing this area, leveraging the relationships that we've had in the area for literally decades. So you're right, mile-deep and inch-wide.

SR: That's fantastic. I'm curious about your debt strategy. You've mentioned seller financing, which is an awesome way to get some of these businesses done. If we throw out the last six months and just look at 2021. And before that the last five years had been a really great time to be financing commercial property of all different types. But now, including the last six months, it's gotten significantly more challenging. How did you prepare for what we're seeing in the capital markets today? And how did you think about the type of leverage that you were putting on your deals, how much leverage, recourse non-recourse etc, etc. Walk us through the decision tree if you could?

NT: Yeah, so you know, looking back over the last few years, I've been talking about inflation since December of 2019. But I started growing a little more concerned about about inflation, about what's coming. And there's plenty of people who are like a decade ahead of me, because, you know, we as a country have been printing money for quite some time. So you know, what we're experiencing is probably a long time coming. So, what started transpiring from that point forward was how long have fixed rate debt can we put in place? How can I stretch my ams out when I need to shorten the ams if we get significant cash flow in some properties, which we do. And then move everything to 10-year fixed money on the commercial side. So, that has been a big one. I don't think we've taken any five-year money on the debt side, just 10-year money, and literally we graduate. There's plenty of banks that will not lend, commercial community banks. There's plenty of banks who will not lend on a 10-year basis, and your fixed rates. And so we just, you know, find the ones that (a) will lend that way, and then (b) build relationships. You know, that's one of the things I've learned over the years. There's plenty of banks out there, you know, just like Burger King and McDonald's, plenty of fast food places, that doesn't mean they're all for you. It's places that sell burger, right? It doesn't mean they're all for you. Get to find a place on the community banking side, that will build a relationship that are not transaction-focused. Because if the day comes where you need help, or you need anything, you want to know somebody's going to be able there to navigate this with you. And it's really a quote-unquote partner in the process and not viewing this as a transaction which the transaction-based people, I've been involved in transactions, thousands of them at this point in the house side, it's "I win, you lose". That's not a relationship where you're gonna come back and do another one.

SR: It's such a huge part of the puzzle to find those people who will truly partner with you on the debt financing. That's, in many cases, 60% to 80% of your overall capital stack. It behooves to find those people that will be there for you when you need them.

NT: That and I take what they say as input as almost like an external consultant to us on the debt side. When you can find that and create that perfect, really good partnership with somebody. Their value add to you is the knowledge that they possess and the fact that they have been there. I like the older guys, the people that have been there a long time, been there, done that. So I can learn from their wisdom, and put those things into practice. And so that has been a tremendous value as the people who have not just, hey, we can structure it this way. It's, you want to give thought to these things or here's what I saw in the 80s that's representative of what we're experiencing today.

SR: So, you mentioned 10-year fix, I assume is that 25 or 30-year am depending on which bank you're working with?

NT: Yeah, we never stretch anything out to 30. But we've done some things at 15 when we can get super aggressive when you buy a deal, right? 15, 20, 25. 20, 25 pretty standard.

SR: I'm curious, you're dealing with several different types of assets all broadly in the commercial space, not a ton of apartments. What's the metric that you're looking at? You're like if I can get my unlevered yield on cost to X or if I can buy at X cap rate with this many depths of compression that I know I can achieve or expansion, if you will, by adding value. I know that all metrics are flawed, and that's something that you have to realize as a real estate investor, but we usually have a favorite or two. I'm curious what yours are.

NT: Cash on cash return. Double digits, cash and cash return.

SR: And over what period of time?

NT: First year, double digit, unlevered basis at 75, 75.25, 25% down, double digit return.

SR: I think we would all agree that those are very viable projects, when you can find that. Get them on long-term, fixed-rate debt and, man, you've got an annuity with none of the downside of an annuity, right?

18:27

NT: Yeah, going back to what I said earlier, you know, we've really delayed bringing any money in and now I think you can get a sense why. Because we're pretty picky about what deals we take on because I want to make sure they're absolute winners from the get-go. I don't want to gamble, I want to, you want to lock in and win. And so uncovering those as you go from bolt and off-market standpoint. We spend a lot of time, energy, effort to cultivate deals off market. And then I say off-market, what I mean by that is seller direct. And then also from the broker side, also off market. We haven't bought one deal, no, I think we bought one deal on market, but everything else has been off-market, either seller direct or through a broker who's got a pocket listing and the deal never goes on market.

SR: So what's the five-year goal for Legacy Impact Partners? Where do you want to be in five years?

NT: Our biggest goal is really to continue to do more. it's going to continue to grow, you know, dollars and cents wise. If we can hit $50 million in total assets, gross assets under management, if you will, that'd be tremendous. That said, the matrix are we got to buy correctly. We got to get cash flow. So the top line is really out the window. It's really buying solid deals so that we get we achieve our return goals. What I think is coming through some really interesting or challenging times is potentially very similar to what we saw in the country in 1979 to about 1986 double-digit inflation. You know, last time inflation was at this level the 10-year treasury traded at 12 to 14 arranged in a year. We're 10 today. And so, I think we may see ourselves in a very different borrowing environment. And I think the positive side of that is as long as you set yourself up for and properly manage the choppiness along the way, we're going to be presented with the, perhaps the greatest opportunity that we've had in our lifetime, to create monumental wealth.

SR: That doesn't come if you swing for the fences on every project levered up to the gills into your levered rate.

NT: No, because the opportunities that come will come from what you just said, will come from the projects that get taken from the people who levered up and didn't make it through the choppiness. That's the unfortunate truth.

SR: Fantastic. Well, Neil, as we get ready to close up here, what's a habit that you formed, that's served you well, and contributed to your success? Daily or weekly, something that you do on a regular basis.

NT: You know, I didn't put it into like, two years ago, maybe a little, about two years ago, it's working out. 6:30 or 7 o'clock am every day somewhere in that range is workout. You know, I played football and I think I got burnt out. I'm working out as much as I did, through that era, that I always did light stuff along the way to stay, you know, in somewhat shape but really started lifting, some lifting, get a little more serious about it. And the benefit of that has been, it allows me to take on more stress, because there's an outlet for it. And so that's, that's been terrific.

SR: I gotta ask as a former right tackle, what's your personal record on the bench for 225?

NT: You know, 225 pounds?

SR: Yeah.

NT: Probably, 10.

SR: Okay, yeah.

NT: I showed up with university basketball, I showed up. I was like, the smallest line and I'm six-five and I played just under 300 pounds. I was like the smallest dude there. Every day, my freshman year, I got beat up, you know, the freshmen play against the starting defense. So, I was like the beat-up dummy guy. Every day, I just get beat up from this one dude, just this brute dude, all conference everything. The next year, he plays in the Super Bowl. That's what I had to go up with every day. There was a tremendous amount of athletes there. I just happen. I don't know. They somehow still let me on the team which was kind of them.

SR: Fantastic. Nothing better than a bunch of farm boys at a midwest school. There's even the trenches there. Well, Neil, I really appreciate you taking the time, really interesting stuff for our audience. If folks want to reach out, learn more about what you're doing in Iowa through Legacy Impact Partners and different programs that you have set up, how can they reach out and get in touch?

NT: You can do a couple of things, you know, and I'll give you one of the things I mentioned. We do a lot of off-market deals. I wrote this little piece, a little cheat sheet "Uncovering Off-Market Commercial Deals", the whos, the where, the how. If you want to get this you can just get it on my website, LegacyImpactPartners.com/gift. G-i-f-t. Connect with me there. The website is the best place, it has all my social links. I'm everywhere. So you can find me certainly on Facebook and on LinkedIn as well.

SR: Fantastic. Well, thank you, Neil. Thank you to our audience for joining us. This is your host, Sam Rust, signing off.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being a loyal listener of the Real Estate Syndication Show. Please subscribe and like the show. Share 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.

[END]