NEAL BAWA – MULTI-FAMILY INVESTING & HOUSING TRENDS / ONLINE TRAINING

Podcast Title: **Everything Home**

Podcast Host: **Michele Swinick**

Full Transcript:

Michele: Thank you for tuning into another episode of Everything Home, where we talk about life, stuff and balance. We've a really interesting show today. Since our real estate market is in the most unique position it's ever been in, I mean, there it is, inventory shortages nationwide of single family homes, to all levels of multifamily and apartment buildings. There's a lot of funds, large investment funds out there with an incredible amount of capital. You've got a lot of people that all want to be investors in real estate again, just like everybody talked about it in 2005, '06, and '07.

So, I really wanted to bring on somebody who was a true expert and a professional and have a quality conversation and also provide some information to those that are ready to take the step into investing on how they can do that and the resources to work with the right people.

Today I've got Neal Bawa and he is the COO and President of Financial Attunement and also the founder and lead instructor of MultifamilyU.com, online training. You can discover how you can invest smarter and with less hassle.

How are you today, Neal?

Neal: I'm well and I'm really happy to be on the show. I know we've talked before and this is just a great opportunity. Thank you for inviting me on.

Michele: Well, and I appreciate that. I mean, part of the reason why we do what we do on the show is to provide really good information to people that's quality. Because there is so much noise out there and I'm sure that you remember back when we had the last surge in real estate, we didn't have all of the social media and all of these quick get rick levels of advertisements and how everybody can be an investor at the level we do not again, so it's really critical that people align themselves, especially if they're going to spend more than $1, align themselves with the right professionals who deliver the quality information because otherwise, A) You can get lost; and B) You could lose a lot of money.

You are the perfect candidate to bring that message into this new, interesting world that we're starting to navigate through real estate.

Neal: Thank you. You know, I can tell you that I am simply a student of data. What I see in today's marketplace is that we are misusing data in horrible ways. I see advertisements where the worst cities in America—and these are cities that are losing population, where population growth is negative, rent growth is negative, income growth is negative, but these cities are being projected as if they're doing phenomenally well by misusing data.

It strongly resonates with me that you're talking about the fact that there's so many people presenting data. I think the right way for an investor to proceed is to understand where they can get access to data, rather than just believing a bunch of people on some kind of podcast or some kind of webinar or some kind of email. Today I'm going to introduce some resources that I'm not connected with. These are resources that are third party, but what I've found is in my journey, which started in 2003 in real estate, I found that there are some powerful resources out there that can point you in the right direction, that can differentiate you from 99% of real estate investors out there and give you just an insane edge. It's almost impossible to lose money at that point and that data used to cost, in the '80s, this data used to cost hundreds of thousands of dollars because consulting companies would work with you on an individual basis.

Now we live in this amazing world where amazing data that can double or triple our returns on a project is available really for pennies on the dollar. I don't sell any such data. I'm not affiliated with those companies, but I marvel at just how easy it is for a completely rookie investor that's never bought any real estate at all, or never even done data analysis to all of a sudden become a guru by just knowing where to go.

I'll definitely talk about some of those sources today and these are unbiased sources. Nobody has an axe to grind, but they're pointing you in the right direction. Because if there's a fallacy today, it is that you can't get good properties because the market is so high. I want to talk about that fallacy because it is completely untrue. Absolutely you can get great deals today. It is harder, you have to take a few extra steps, but there is no doubt in my mind that there is money to be made in real estate today, as long as you're a little bit data driven, and you don't let your emotions make decisions for you.

Michele: Well, just to go back before we get to the next step, with all this data, do you think that a lot of it is out there to purposely mislead people so that they buy into some seminar or some package that they spend all this money on and at the end of the day, they really have nothing but that empty box theory? Because I can tell you right now, on my feed, and I don't know how it happened, I'm not a huge Facebook person, but when I do breeze through it, it is all these sponsored ads about all this real estate and then this—I guess they came out with this new technology, I can't remember what it's called, but it has to do with Clickbasket or something, so then all of a sudden it allows everybody to become an expert and sell some book for $7 or 6.99 or some package for this to do this type of seminar.

I've just been noticing that pattern over the past couple months. Is it that you putting out there misleading on purpose or is it just there's so much that people that want to make money on the people that maybe are not willing to do the extra homework to make sure that they're affiliating themselves with the right people because they say, "Oh, it's only 6 or 7 bucks, let me give it a try." They might as well get almost like a. It's a numbers game. If I can get a million people and it's 1/10 of 1% and I make a couple hundred grand, who cares what happens, even if no one ever hears from me again. Or is it a combination?

Neal: Right, yes, I see a lot of that. And I am not a get rich quick person. I don't believe in $7 ebooks changing my life. I've never read a $7 or a $70 ebook that was so magical that it changed my life because if that $7 ebook existed, the author would be making so much money that it would be a waste of his time to make 7 bucks.

So, I think a lot of these ebooks—are they misleading? Yes. They're certainly very grey and I'll tell you why.

For example, what I consider to be data is, I want to figure out, for example, what's the best city in the U.S. to invest in at any given point in time? Or, if I want to look at it locally, I want to say, okay, within Phoenix. Phoenix has all these zip codes and all these areas, and it also has these tertiary outlying markets that are great markets or could be awful markets, how do I know?

I want the kind of data that allows me to compare and not only does it allow me to compare, it tells me how it's ranking those areas. That to me is real data. In some kind of ebook, spout stuff like, "Well, this is a great area to invest in, or single family is better than multifamily," and they give you a single data point, well, that's called selective data. Because you can always find something on the internet to support your argument, even if 99% of the experts agree against it, because there's always that 1%, that one guy, that believes a certain way.

What you really have to be wary of are people that are basically being selective. People that are not telling you how the data was created and where it came from and the fact that it came from multiple sources. They will find the one piece of data that supports their argument. I do consider that to be misleading.

So, on this particular segment today, I'm going to suggest where you go look at the data and the reason why I look at those providers is because they allow you to rank and compare every area in the U.S.

In my case, because I'm a real estate guy, I'm looking at multifamily, we have over a thousand units in multifamily and student housing projects. Our portfolio is over $100 million. We look at both single family and multifamily data sources. The multifamily data sources are very expensive. CoStar is about $30,000-plus. But single family data sources are extremely inexpensive and so we buy access to them as well because they give us guidance.

One of the cool things about being in multifamily is, multifamily prices go up 18 months after single family prices go up. So, they trail. I have this advantage of knowing 18 months in advance what metro is going to be hot.

And why does that happen? It's common sense, right? People don't want to live in an apartment. They want to go either buy a home or rent a home. First, they want to try and buy, but the market keeps going up and then eventually they're not able to buy. Then they go out and rent a home. Well, the inventory of rental single-family homes is quite limited. When they work through that inventory, now there's really no option for them, they go to apartments.

That's why this time lag of 18 months to 2 years. Folks like me are looking at single family data, we're looking at the trends, we're looking at the best cities in the U.S., and then within individual cities where we live, we're looking at different zip codes.

I'm going to suggest some providers of data for those of you who are new to real estate, because you will go—and this is the magic today of the internet—you will go from being a rookie investor to being a super-informed investor in about two hours. The data, it's not very expensive if you don't buy it at a nationwide level. Let's say you're buying data for Phoenix Metro, you're going to spend a very small amount of money compared to what it would cost you if you made the wrong decision without this data.

Michelle, should I mention a few sources that I use for data?

Michele: Oh, yeah, definitely. Yeah. Let's just go ahead and get right into the specifics, since all of that is going to be the basis for where the conversation goes.

Neal: Absolutely. When I'm looking at where I should be buying my multifamily, then I'm usually buying 200-300 unit sizes, $20-plus million dollar project, ironically, the first place I look at it single-family home prices. Because I want to see a big run-up in single-family home prices so that the market becomes tight and when the market becomes tight, people can't buy single-family homes anymore, that's when the multifamily starts to go up and rents tend to spike.

I look at single family sources. The first place I look at is called Housing Alerts. Housing Alerts is a site created by Ken Wade. He's a Harvard scholar, brilliant man. I go into Housing Alerts, I look at all of the markets. I pay for a national subscription, it's about $1,200, but if you're paying, let's say for just for Arizona, it would be very inexpensive. What it does is it ranks all of the different markets in that geo, or in the whole country, and it tells you why it's ranking them a certain way.

I can tell you just about everybody uses the same ranking methodology. Everyone has got a secret sauce, so they are a little bit different, but the base methodology is this: Real estate increases in value when population is increasing. Wherever there is strong population increases—for example, Orlando, Phoenix, Las Vegas. These are areas with very, very strong population increases right now, and you notice these cities show up at the top of everybody's list. It's not coincidental. Population growth tends to drive real estate prices because it creates shortages.

Then you're looking at incomes. By itself, population growth is not enough. There are areas in the U.S. where there's high population growth, but the jobs are not well paying, so the incomes are not getting driven up, so the home prices are not increasing.

What you want to see is a combination of high population growth, a combination of high income growth, and then you want to look at the trend in the last two or three years of home price increases, because that trend will predict future home price increases.

So, when you look at those factors and you look at job growth, how many jobs has a metro created? 2%, 3%? 3% is considered a fabulous number. That's when you start seeing future trends. You start seeing what areas will have both appreciation for single family homes, as well as rent growth for those of us that live in the multifamily world.

Housing Alerts is one of the websites that directs me there. Now, any site can make mistakes and nobody's data is perfect. They're all pulling it from public sources, so I actually fact-check that against a second website, LocalMarketMonitor.com. That's LMM, or LocalMarketMonitor.com. I actually happen to know the CEO, a brilliant guy, his name is Ingo Winzer, and he's taught webinars for us.

He is a very smart man. His website is similar to Ken Wade's, it's just a different structure, so I go look at the rankings for both. I can tell you, what is truly awesome is over 95% of the time, the rankings match. So, I only look at those cities where the rankings match, because if they don't match, there's clearly some muddy area there and I should not be looking at those particular cities.

Now, after I've looked at both of those and my cities, I'm like, okay, 2018/2019, my focus is going to be on these cities. This is what I'm doing there, maybe I'm buying single family, maybe I'm buying multifamily. I do buy single families for myself. I continue to have a large single family portfolio because there's no reason not to buy single families, but my primary focus is multifamily. I'm looking at areas that are really good for single family but awesome for multifamily.

When I pick those areas, then I use my CoStar software to start locating the properties and CoStar is a professional software. For those of that don't have access to CoStar, don't have the ability to pay $30,000 a year for a multifamily software, there's a much cheaper software out there, very inexpensive. It is called Neighborhood Scout, NeighborhoodScout.com, and subscriptions start at, I think 20 bucks a month or something like that.

I am amazed at the quality of information that is being provided for $20 a month! This used to cost tens of thousands of dollars back in the ‘80s and ‘90s, but excellent information.

What Neighborhood Scout is focused on, is specific neighborhoods, specific areas. We’re not talking about a zip code. Within a zip code, there might be five or ten neighborhoods. Neighborhood Scout slices and dices them, tells you which neighborhoods are better, and gives you investment scores. It gives you a score for the potential of your investment, 5 being a high score. If you see a 5 in an area, there’s great potential for appreciation for the property that you’re buying.

On the other side, it will also give you a score for investment security. Investment security, you want to have—again, you want to have a 5 in investment security. There is only one problem: You will never find an area in the U.S. which will get a high for appreciation potential and also a high for investment security because those are areas that everybody knows are very secure, so all the juice has been sucked out by previous owners.

It’s very common for you to get a 5 potential appreciation, but to get a 1 or 2 on investment security. What that means is, this is an area that hasn’t particularly done well in the past, but right now it’s poised for growth. It’s poised for there to be huge growth. It’s either its demographics are changing, the area is becoming better, jobs are coming into the area, whatever it might be, and there’s a five-page report that explains all of that, so you can read what’s happening in the area.

So, now what you’re doing is you’re finding areas that give you a lot of potential. A potential of 5 is fabulous, and prices are still low because in the past, that area has not done well. So, prices have not been bid up. You will see amazing differences in prices in Neighborhood Scout.

I have students that finish my bootcamp and using these techniques and other more powerful techniques that take more time to explain, they go out—I have a student that has gone in for Phoenix. He’s gone in and bought a Phoenix membership to Neighborhood Scout and he has ranked every single neighborhood in Phoenix through Neighborhood Scout in a Google doc, which he shared with some of my other students, and it was mind-blowing to see that even in a city like Phoenix that’s very powerful, we have such differences in quality of neighborhood. Just knowing this information, I think it probably took him five or six hours to put together, gives him such a massive advantage over anybody else.

The beauty of this is, you're not listening to anybody else. You're not listening to this in a podcast or in a webinar or by some email. You're doing your own due diligence and you're going to a third-party provider of data that has no axe to grind. You know, Ken Wade doesn't give a damn if Phoenix is the best market in the U.S. or Orlando is the best market in the U.S. He's selling data. His job is to give you the data and whether it presents one city in this year and another city the next year, he doesn't care. It's the power of data.

That's how you get above the constant bombardment in our email boxes of data that is incomplete, deliberately misleading, or just data that's designed to make you lean in a certain direction. That's my feedback.

Now, everything I just said applies to single family and multifamily homes, either for flipping or buying and holding, but there are data providers out there for every area. There are data providers out there for storage units. There's data providers for industrial units. There's data providers for retail and even malls. The public doesn't know that these providers exist and so we tend to basically just believe whatever people tell us. Very often people are telling us nonsense. I see turnkey providers projecting Detroit, Michigan as the next great thing. Really? Detroit, Michigan? A city that used to have a million-and-a-half people in 1960 and has now dropped to 400,000 people? Imagine how much excess housing supply a city has if it's a quarter of the size that it used to be 60 or 70 years ago. Imagine how many dilapidated neighborhoods it's going to have.

But, if you listen to turnkey providers, Detroit is doing really well, and what they're talking about is that Detroit has done well for the last year. In the last 12 months, rents have gone up, prices have gone up, but if you look at the last 60 years, that happens every once in a while because you eventually get in a cycle to the point where everything in the U.S. is expensive, even places like Detroit start getting bid up and then something bad happens, a recession happens, then guess what markets are the first to crash? The weakest markets. The St. Louis, the Detroits of the world, where jobs are not there, the quality and quantity of jobs is low, and those tend to crash the most.

And that's why it's really important to really be self-sufficient in finding out about data. What I'm teaching students in my bootcamp—I teach an e-bootcamp that students from all over the U.S. take, they're multifamily students and they're trying to get into multifamily—that's what I'm trying to tell them about. You need to be self-reliant when it comes to your decision-making process.

That's the two cents on the data side.

Michele: Yeah, but it's fascinating and it also is so important for people to realize that they actually have a lot more control to get that information. Like you said, it is not that expensive in order to get access to this information. You just have to: A) Spend the time; B) Be a little resourceful and use a layer of common sense because some of the information you talked about, you could take that out and stick it into a whole different industry that's applicable there because it's common sense data on trends and what's going on in marketplaces and take it out and you don't even have to put it into the real estate world.

Neal: Correct.

Michele: Yeah, it's just a whole different approach. I've not heard this before from so many people I've listened to, or even gone to some of these seminars to just find out what's coming out of people's mouths, and it's just refreshing that you're providing this level of information because it needs to be addressed.

Neal: Yeah, and what excites me is in the last 15 years, I used to do this stuff manually, pouring over Excel spreadsheets, going to the Bureau of Labor Statistics website, figuring out independent places where I would take job data from and population data from. You don't have to do that anymore. High quality providers like Local Market Monitor or Housing Alerts are doing the job for you. Neighborhood Scout is doing the job for you.

All you have to do is spend a few hours of your time and in my mind, you're now as close to being an expert as possible. Your broker is always going to know more because they tour an area and you're not doing that, but compared to any other passive investor, you know more eight hours after you subscribe to these services than 99% of those people.

It's an amazing world that we live in. The other message that I have that's related to this message, there's two messages. The second piece is: People keep thinking that the real estate market is too high, it's too expensive. My message is this: There is no real estate cycle. That word is a misnomer and should be banished from our lexicon.

There are real estate cycles, plural, with an S. There are 2200 distinct markets in the United States—2200. They all follow their own cycles. Some markets are very mature. Some markets are really—at this point I wouldn't buy anything there at all because I'm just wondering how they're staying up, right?

There's markets like New York, which are overbuilt, huge amounts of new Class A inventory coming out, almost no rent growth or even negative rent growth because these markets are, let's say in the 10th inning of a 9-inning baseball game. They are in overtime.

But then at the same time, but then at the same time, you have other markets in the U.S. that were hit so hard by the 2008 crash, that those markets took longer to recover, construction really didn't start happening in those markets until 2013, 2014. Many of the markets between 2008 and 2014, there was no construction of any kind, even though those markets were gaining population. That six-year gap is massive, which means that those cities are nowhere near 2006 prices.

One of the charts that I publish on my website, which is an interesting one, is what are the cities in the United States that are still not close to 2006? There are cities like Denver and Seattle and San Francisco Bay Area where every home today is more expensive than it was in 2006. Obviously, those markets, in my mind, are in the 9th or 10th inning of this game.

But then you look at Las Vegas, where less than 25% of the homes at this point in time are beyond the 2006 prices. Even Phoenix, and people in Phoenix think that Phoenix is in some sort of bubble. But go back and look at home prices in Phoenix today versus what they were in 2006 and adjust for inflation. This is very important. Inflation in the U.S. is about 2-1/2%. You have to adjust for inflation because 11 years have passed.

When you adjust for inflation, Phoenix today is significantly below where it was in 2006. Not true of Denver. Not true of Seattle. Not true of San Francisco, but Phoenix, Orlando, Vegas, Salt Lake City, these markets are well below where they were before. Keep in mind, this was before we flooded the market with $4 trillion of quantitative easing, fake money. Well, that fake money obviously is squishing up valuations, both for the stock market and for real estate, so we should actually be perfectly okay with going in the markets that are below 2006 valuations because in 2006, they didn't have $4 trillion floating around the market looking for yield. Today we do, and that money is almost impossible to withdraw from the market without causing a crash.

So, people have to understand macroeconomics, they have to understand cycles and know which cities are still in the early part of the cycle. Those names that I gave you, Phoenix, Vegas, Orlando, these are not names that I am talking about. When you go to buy these reports, you're going to notice the same cities keep coming up. That's because they're early in their cycle. It's very difficult for me to consider these cities to be in a bubble.

Michele: That's fascinating. You're the first person that I've heard mention you have to adjust in that 2-1/2% for inflation, when you are factoring in those level.

Neal: 2-1/2% increase in price is 27-1/2%. Big, big number. On a $200,000 home, it's over $50,000, right?

Michele: Yeah.

Neal: People are not doing that math. People are like, "Oh my god, this home cost $200,000. It was $200,000 in 2006, oh, we are in bubble territory. We are back there again." Not really. 11 years have passed. By inflation, this home should be 27% higher and it's not! It's the same price it was back then. Keep in mind, construction costs are going up higher than 2-1/2% a year. The cost of steel, the cost of concrete, it's actually going up somewhere in the range of 4-5% a year. Homes should be more expensive than they were before because it costs a lot more to build them. Today, it costs at least 40% more to build the same exact home that was built in 2006, in a place like Phoenix or Vegas, so they have to cost more.

It doesn't automatically become a bubble just because it cost more. There are other factors at play here. This factor of quantitative easing, I have a webinar on my website called The Amazing Story of How the Banking System Changed Real Estate Forever. It's a webinar that really doesn't talk much about real estate, it talks about the financial system and what 2008 did to real estate. Honestly, everything I teach in that webinar also applies to the stock market. People are constantly wondering, why do real estate and stock market only go up? Good news? They go up. Bad news? They go up. They just always go up.

The short answer to that is: We, for the first time in the history of modern civilization, pumped $4 trillion—that's $4,000 billion—that's even larger than the entire U.S. commercial real estate market, we plugged it into the market just to prevent a catastrophic depression from happening and now we're stuck. We can't withdraw the money because the market has gotten used to it.

That money is floating around the U.S., Michelle, and that money is changing yield. Bonds make 1-2%, real estate and stock make 6-7% aggregate, right? Obviously folks like me are giving their investors 20%, but if you're looking at aggregate, real estate could make 6-7%. That's the problem.

If I can still make 7% in real estate with the prices being this high, guess what? They can go up further because that gap has to drop to real estate making 4% before people are saying, "Oh, no, no, no, real estate makes—you know, it's risky. It's making only 4%. Let's stick all of our money in bonds and make 2 or 3." There's just still too much of a gap between what bonds make and bank accounts make and what stock and real estate markets make. That gap is what is causing the prices to go up.

In a normal market, if this wasn't—if 2008 hadn't happened, we would've already seen a decline in real estate prices over the last two years. We would've seen a decline in the stock market. But I believe that there's room for them to go up further because of these trillions of dollars of money that's sloshing around the U.S. With Trump's tax bill, that gives us another year or two years of a good market before it corrects. You know, I'm hopeful that we get a recession sooner or later because not having a recession is a bad thing for the cycle. Recessions adjust everything. They clean out all the garbage that collects in the system, but right now it's very difficult to have a recession because there's so much liquidity in the market that is changing property, that is changing stocks.

Michele: When the next downturn comes, and it's obviously not going to be anything like it was in 2008 because there is so much cash in there, I mean, we're what, two or three years past the point of when we should've already had—a cycle is what? Every seven, eight years, I believe?

Neal: Yes. '16 should've been a recession year and kind of looking at it statistically, so we're already two years past it, yeah.

Michele: Then if we get another year out of it, now we're three years in. Not only are we three years past the cleansing process, but we also then have this extra money that's in the system. It's almost like when it does happen—I mean, you could kind of guesstimate. It's obviously not going to be as detrimental to a majority of investors and people in general because they have that—there's so much liquidity to kind of fix something, but then the other thing, too, is, if the Feds are so easy to jump in previously because all of a sudden they see that there's a little bit of an issue, I mean, what if they pump in even more? Then obviously we might never get to a period where the correction gets back to where it needs to be, so we can have some normalcy. I mean, that's another concern.

Neal: That's what I'm afraid of. I am so afraid of this, Michele. The Feds seem ever willing, oh, market indicators are going down. We're not even in a recession if you have a downturn for three to six months. We're technically in a recession if there's a downturn for six months. But if the market just starts going down, immediately they stop, you know, pulling money back. They are slowly removing liquidity from the system but it's extremely slow. It will take 25 to 30 years to withdraw all the money that they pumped in, and then they stop doing that.

Which scares me because what that means is, anytime we have even a slight garden-variety U.S. recession, right? We're supposed to have recessions every five or six years, it cleans out the system, removes the garbage, restores normalcy. The moment we start even thinking about having a recession, they want to plug in more liquidity. Well, if they do that, then the recession is not going to take real estate prices down. They're going to dip and then speed up as more liquidity is added into the system to artificially revive the system.

It's actually going to be—you're going to have a little blip where prices go down and I'll certainly be buying during that blip and looking at what the Federal Reserve is doing. The moment they inject more liquidity, then you start having the same process all over again. Stocks go crazy, real estate goes crazy.

Where the truth is, that the Fed is stuck in a cycle that it doesn't know how to get itself out of and every time the market turns downward, they're so afraid that they pump in more liquidity.

To me, a recession—the next recession is a great buying op because all the Fed knows how to do is to add liquidity during a recession. Well, the moment I start seeing them adding liquidity, I'm buying real estate because at that point, it'll start to jump up again and I think it's inevitable that we will see that happen. It's not good news for the U.S.

Michele: Well, and then like we talked about the other day—and no, it's not good news to the individual. It's good for the position of the investors and the people in these large funds, but like we talked about the other day, is now you've got prices to the point where a regular homeowner gets priced out of the market and I believe in statistics you gave us, if the interest rates go up

1% from where they are now, 4-1/2 million families are priced out of the market where they can't buy a house.

Not only, let's just say you've got the interest rates going up 1%, you've got 4-1/2 million there, and let's just say that the values end up going up also because of this cash influx and whatever is going to be happening when the Feds decide to just throw in a little extra money, now you've now got the prices high enough that you've knocked out another couple million people.

The point is, is where are they going to go? Because if your construction costs are so much higher and your values are still there, I mean, you're talking 40% more to build a house. You've got construction costs, you said, are up at least 4-1/2% on the basics, not including God only knows in a couple years what it's going to cost for labor, so then you add that in. Now you've got multifamily, maybe they're building new construction or even single families, but then again, the rental amount that they're going to be available for is so much higher, now you've not only you priced a really good potential homeowner out of the market—just on pure math—I mean, these people, let's just say they even have 5 or 10% down and they had excellent credit. Now, you've kicked them out of the home market and then you've also made it, so their rent is so much higher that they have now, I mean, there's no disposable income. They're just making ends meet, but they've got two decent jobs, you know?

Neal: Yeah.

Michele: Then, I mean, just look at the long-term effects, especially when it comes to now instead of getting a new car maybe every five years, now it's they're piecemealing the one they've got together for ten. And instead of going on that extra vacation, now they're not doing that or they're not getting those new appliances.

So, all these other layers that the consumer general, who is not buying or selling, is going to affect them and their pocketbook and their credit cards. You know what I mean? I think it's a bigger and wider problem than anyone is prepared to maybe even acknowledge at this point or maybe just nobody wants to talk about it and we'll just see what happens when it gets here.

Neal: Exactly. I think that we are in a state of denial. We have a perfect storm and that perfect storm is on the one side, it's impossible for real estate and stock prices to decrease because of the liquidity in the market. On the other side, construction costs are up, labor costs are up, and the amount of construction that we're doing is really nowhere near what we need to be doing, simply because people are a little skittish, right? This has now lasted seven years, so I don't see any single family or multifamily home makers going, "All right, we think it's going to continue for another five or ten years, let's build, build, build." We're not seeing enough of that basis.

Even places like Phoenix, that they are and people are like, "There's too much construction going on," and my feedback to those people is, I want you to go look at a website: WeAreApartments.org. When you get there, I want you to pick up two cities. One is Pittsburgh, the other one is Phoenix. Now, look at the huge supply/demand gap for Phoenix. Pittsburgh has nothing, right? That's why there's no cranes in the sky over Pittsburgh, but if you look at Phoenix, there are very few cities in the United States that are going to have a supply/demand gap as massive as Phoenix. That is why there's cranes up in the air, because there's a huge gap there.

The other piece of this puzzle is, that the multifamily guys know this and they're all happy with where they are, but they're not stepping forward to offer solutions to the government. They're just happy with the fact that if interest rates go up, another 4 million people in the U.S. will basically be forced to become renters. That's good for them. They'll build more multifamily, but nobody is actually saying, "I need to be part of the solution and try and figure a way out so that there is affordable housing being provided."

Here is my forecast for what you're going to see in the next five years: Today in 2018, everybody is talking about the opioid crises and the drug crises. We weren't saying anything five years ago. Five years from today, everyone is going to be talking about the mass homelessness epidemic in the United States. It is starting from San Francisco, it’s starting from Los Angeles. Tent cities going up. It’s not just two guys under a freeway anymore, it’s cities of people that are employed, that are working people, that can only afford to live in these makeshift tents.

The problem is going to spread across the United States over the next five years regardless of whether we have a recession or not. Because there’s only one direction for real estate prices right now. It’s upward because supply and demand are not in balance. You’re going to see this problem get much worse, more multifamily will get built but almost everything that we’re building in multifamily, everywhere in the U.S., is Class A. 93% of new multifamily construction in the last 18 months is Class A.

But the problem is not the Class A people. The problem is the people at the bottom end. All of those homeowners or all those people that were looking to buy homes, they are now priced out by the interest rate increases, they still have enough money to go into apartments, so they’re going to go into apartments. But what they’ll end up doing is they’ll end up jacking up the prices of multifamily. When that happens, everybody is going to try and adjust.

So, the first thing, first effective that will be, that America will have a new generation of people that are going to be high income poor people. These are people that have two incomes, but 50% of their income is just going towards rental. More and more people are going to basically shrink their disposable income to zero.

Then the second phenomenon is the people that have already done that over the last five or six years because of the huge rent increases will become homeless. So, you’re going to see an increase in the number of homeless people that is going to be an exponential rate.

Think about exponential rates and how quickly they become big. If you have one person and every hour you have a new person, that becomes 2, then 4, then 8, then 16, and then 32 and then 64. This is an exponential explosion. What that means is, 10 years from now, America could have hundreds of times as many homeless people as we have today. No one is talking about this right now because the problem—the awareness of the problem hasn’t reached critical mass. But that’s where we are going to go.

Now, I know that this is going to happen, I know that it’s bad for America, but there’s opportunity here. That’s why I’m in multifamily, because no one in the

U.S. has even suggested a solution to this problem, which means that regardless of the recessions, which are good and should happen, hopefully there's a standard recession in the next two or three years that adjust things, but regardless of recession, for multifamily, which is at the lower end of the scale, there's only growth. Some years are going to be crazy growth. We might see 6, 7, 8% rent increases. We saw those numbers in 2015 and '16. They cooled down a little bit in 2017 because of new supply but cool down still means we're still above long-term trends. Again, because the construction peaked in 2017. It's slowing down again and because of that slow-down, we'll see another spurt in rent increases. As that happens, my investors are benefiting.

I'm not a politician, I can't affect policy, so the best thing that I can do is look at the trends, benefit myself, benefit my investors, and that's what we are seeing. We have a portfolio of over 100 million people, over 200 investors that are directly invested, and we're looking for more properties in areas that we see don't have glass ceilings. Seattle has a glass ceiling because the rents went up 45% already in five or six years. That's too much. But we don't see that glass ceiling in Phoenix or in Salt Lake City or in Boise, Idaho or in Tacoma, Washington. There's a lot of places where rents can go up way, way beyond where they are.

Coming down is the problem. They should come down, but boy, that's very, very hard. It's very hard for anything to come down in this market.

Michele: Well, you gave everybody 10 valid reasons as to why they're not coming down. One of them you just mentioned is in 2017, you said that was pretty much the high point of the construction. Is it because all of them are—the cost of doing the A-level properties for multifamily has gotten so high that they pulled back or are they just waiting to see what the trends are going to be, so they're kind of playing with occupancy and inventory so that way they can drive their prices up in another year or two, because of that 18-month lag time that you talked about?

Neal: Well, because building construction is a much riskier thing to do towards the end of a cycle. As I said, for somebody like me, that's buying a property, that's cash-flowing, holding through a recession is no big deal, right? Maybe I'm giving my investors 10% cash year, now it turns out to be 5% cash a year. If the investor comes to me and says, "Hey, I'm making less cash," I'm going to say, "Yes, but I want you to wait for the year after the recession. You're going to notice a bounce-back and I'm going to give you more then." It's not a big deal for me.

But if you're a developer and a recession is coming, the problem is their timelines are much less flexible. They can't just hold on. They have a $30 million construction loan, that can't basically say—when the building is finished, they have to sell it and during the recession, you don't want to sell anything, you want to hold onto it.

So, developers are saying, "Okay, I think 2020 is a recession year. I don't want to start something in 2018 that finishes in 2020 because I can't hold on for a year. It's not a cash-flowing property, it's empty, it's brand new and I need to sell it as soon as I finish it." I think that's going to happen in a recession timeframe, and that's why a lot of people are easing off on the new development side. And I think to some extent that's happening on the single family side as well, though not as much as it's happening on the multifamily side.

And that means that supply shortages in the 2019, 2020 timeframe will actually be worse than they are today. We talk about supply shortages nationwide. We're at the beginning of that process. They're not going to get better. Anybody who follows the total housing construction starts in the U.S., when the total multifamily starts can say that the shortage will get worse because we're predicting a lot of growth, but we're not making as many homes. We're not doing single family, we're not doing multifamily, we're short on both sides. That's the problem.

People keep thinking this is crazy. It's different from 2008. 2008 was a bunch of people that should've never gotten loans that bought millions and millions and millions of homes and then abandoned them.

Guess what happened to those homes? They are not held by those people anymore. Investors like me bought them. I own 20 homes, all for rent. At this point in time, I have the wherewithal, I have the money, to hold my way through a recession. And why should I drop them? I'm not upside-down. And even if I'm upside-down during a recession, I've made so much gains over the last six or seven years on those homes that I bought in 2008, '09, and '10, that even if my rent drops 20%, I'm still making a lot of money. I will simply hold my way through a recession. That is why 2008 was a one-time event. What they're going to see next is not a realistic crash. We're going to see garden variety recession and those are good for business, not bad.

Michele: And that's going to be something unique and it might actually how it's going to be moving forward in the future?

Neal: Yes. I think that we're in uncharted waters here, Michele. We have never—we are in the middle of the largest banking and financial experiment in history. In the last 2000 years, there have been lots and lots of times where unlimited printing of money led to catastrophe. In 2000 years, there hasn't been one example where it didn't end that way, where it didn't end with a catastrophe.

Having said that, we have a much more structured world than the Romans basically printing money. They did that, and it led to the end of their civilization, so did the Greeks.

But at this point, the modern world is more balanced, so we have the ability to keep on printing money for possibly the next decade or two before we have to deal with the consequences of what we're doing. On one side, we print money for liquidity, on the other side, we raise debt by trillions of dollars in a year, obviously this is not sustainable. Everybody knows that it's unsustainable to raise your public debt by a trillion dollars a year, but you can keep doing it for a number of years.

My bet is that we will have the ability to extend and pretend for at least another five to seven years. That's why I'm bullish on investing, because the only way to pretend and extend is to keep doing what you're doing. If they keep doing what they're doing, real estate will go up. Stocks will go up. There's a crash coming at the end of it all, but who knows when it is? I don't know.

In general, once crashes happen, people chase real assets. What are the real assets out there? Real estate, gold, timber. Those are real assets, not paper assets. Physical things which go up in value because construction costs do. In general, I'm bullish on real estate. We just have to be very careful not to get over-leveraged in the coming years. So, for those of you that are looking for advice on real estate, don't be buying homes that are 10% down. Find a way to do 25% down. Don't over-leverage yourself. Don't do short-term loans. This is a great time to lock in 30-year fixed. On multifamily you can't do that, so lock in 10-year fixed loans, because whatever comes beyond that, you don't want to have a—you don't want to be shopping for a new loan in the middle of any kind of future economic problems that we face.

That's my advice. Buy real estate because construction costs are going up. It's a real asset and we keep pumping fake money into the market.

And you said there's quite a few years left to take advantage of using the model that you're using right now and then when things change, there's just going to be more opportunity, then hopefully you've accumulated enough of a profit or a sustaining power like you said. Just based on the 20 homes alone, because of the amount of profit that was made over the past six or seven years or so, you can sustain a recession for the period of time that it is and even if rents go down, you can handle that.

Neal: Exactly. In my case, when I bought these properties, rents were about $1,000 each and I was already making a little bit of money, 6, 7, or 8%. Today my rents are $1,400. So, I can sustain a drop of 40% in rents—which is huge. Keep in mind, when recessions, home prices drop. 2008 home prices dropped 30%. Did rents drop 30%? No. Did they drop 15%? No. Nationwide, rents only dropped 9% because the people that are renting, a lot of them can't buy homes simply because they got cheap all of a sudden. They don't have the credit, they don't have the down payment.

So, rents don't decline even in a deep crises like 2008. They don't decline as much. So, Google that and you realize that holding real estate, especially if it's rental real estate, is the best way to get through deep recessions because the decline that will happen is probably going to take the edge off of your profits, but you're probably not going to go upside-down, as long as your property is cash flowing and in a good place.

Remember, I go back to talking about good cities and bad cities. If you're buying property today, buy it in a city where there's a lot of job growth, there's a lot of income growth. Because you'll be able to get through that recession because your occupancy in your rentals will stay up. Occupancy is really the key factor that drives your profitability in a downturn.

Michele: I mean, the information is just beyond powerful and also, it's alarming listening to it from—you know, I put my consumer hat on and just listening to all that, and then you put your investor hat on and you're encouraged, but you're also, like you said, nobody is willing to try to fix these problems, so as we get through—when the recession shows up and then we get through it, it's almost like, at least anyone that decides to get into a little bit more serious investing now, they're going to be well into the changes and they already have somewhat of a track record and the relationships and hopefully they've been working with you through your MultifamilyU and all of the training classes so that their positioned at that point to take advantage and utilize that opportunity that they can really make some progress and acquisitions during that period.

Neal: Absolutely. MultifamilyU's programs, our apartment programs are fast track. They are go to school for two weeks, it's two weeks in the evenings, you can take the programs from anywhere in the U.S. We have students from every state in the U.S. attending, and then you're ready to go out there and start buying multifamilies using other people's money. We teach you everything from finding the best properties, analyzing properties. We teach you how to manage property, manage yours remotely. We teach you how to raise money. Our goal is to basically get you to the point where you can start buying and collecting multifamily, be an active investor. You can be a passive investor. Folks like me, you know, we have 2018 passive investors, so we can certainly talk about that.

But I think that this is a time for people to be active in real estate. I strongly believe that, that this is a time to go out and do that. We're in a Goldilocks-zone. It's going to last for a few years and when it comes to 2020, if you're in the right place and you have loans locked in, you're going to be able to get through whatever happens next and move on to better times beyond that 2020 downturn.

That's my message for everyone. I can also tell you—and this is a slightly depressing message, but it's an important one. Every trend that I see, whether it's in real estate or not, shows that America and the rest of the world are becoming a land of haves and have-nots. The average consumer gets hit in every possible way. Interest rates are going up, home prices are going up, construction costs are going up. You keep getting hit in so many different ways and the only way to really recover from this is get yourself on the other side of the fence because for everybody that is getting hit, there is somebody that's benefiting.

What I've seen is that it's the investor class that benefits. We just had a huge tax reform bill. This was not a tax reform bill. If you wanted to tell the truth, it was a bill that was a gift for investors. If you own Apple stock, you're happy, because Apple now is bringing $200 billion back into the country because they only have to pay 15% tax, and they're giving it back to their investors. They just increased, yesterday, their offerings. I'm sorry, their dividends. They've also announced that they're going to be buying back stock, which is like another dividend, right?

Folks that are invested in stock markets and real estate are the haves and the folks that are not invested will continue to get hit. What is happening is, that we're hollowing out the middle class and now we have a whole bunch of people that have two salaries that used to do well in the past and used to have disposable income, that disposable income is just going to keep shrinking until it gets to zero. You need to find a way to create passive income. Whether that's in real estate, whether that's in any other realm, because that's the world that you live in and it gets tougher from here.

Michele: Most of the people who lived through any of the real estate issues or just not having a job that has nothing with real estate because everything was so tight, once there is that lack of disposable income or there is that hardship, I mean, obviously not having enough money to pay your bills is an issue. But all the other stuff that comes with that, I mean, I'm sure you saw this, too, I saw people's lives completely destroyed where some of those people, even if they recover financially, the family was broken up or was almost destroyed and the relationships dissolved.

Some of the people are actually no longer here so there's so much damage that comes with having that lack of able to make means when you are out in the world doing exactly what you have maybe done for 10, 20, 30 years and now you're saying, "How is this possible that I can't make ends meet when I have a good job and there's two of us?"

Neal: Yeah.

Michele: We're not living in an area where you would expect to think that that's where those problems should be and that's what you're saying. Is as we go further down the road here, and it's going to be that long away, we're going to see a whole new layer of problems that there's not a solution.

Neal: Yep. Yep, yep.

Michele: That's bad for what's going to happen, but also, like you said, there's an opportunity there for people now while they still—I think they're still going in the direction that we need it to be at least and you do have that disposable income. Consider looking at getting involved in a passive way or even like you said, in an active way, but because you are offering all this information, I mean, if somebody just listens to this show, they honestly could have a really good idea on—let's just say they picked a couple areas in Phoenix. They now, like you said, most of the people, they have more information than a lot of the people that go invest or try to invest these get-rich-quick schemes and things like that. Now they actually have the potential and the power that they might be able to, by the time things change in the next year-and-a-half to two years, they have enough of that subsidized income that they could make it through and then bring themselves to the next level.

You're providing an opportunity for people really to change their lives and you're giving enough advanced notice that their lives are going to change in the wrong direction shortly, so why not try to do something to make it, so you can at least make it not as painful or maybe, hopefully, avoid it all together?

Neal: Absolutely. Because I think that there is a very substantial of our population where the destruction of their life of the destruction of their lifestyle is imminent in the next 10 years, unless they take steps. The two-job system in the U.S. does not work anymore. Keep in mind that the one-job system in the U.S. worked until the '70s. People always said, "One job is going to be enough." And then one day, it just wasn't. Women went into work and then the two-job system worked, and it worked for about 45 years. It's falling apart at this point in time until what you need at this point in time is everyone needs to have another source of income that they're developing and if you have the funds, invest passively. If you don't have the funds, invest actively. You've got to become more self-reliant because the societal structures that we are in, are insufficient for the problems that we are facing.

Now, I do have, I have to tell you this—and I want to end on a bullish note. I live in Silicon Valley and I invest in startups and I work as an executive in residence. On Fridays I work as an executive in residence at Plug and Play, which is the largest startup accelerator in the U.S., so we have 400 companies in our portfolio and part of my job is to find the nugget so that Plug and Play can invest in them. This is not a paid job, I do it because it's very fun.

I can tell you that within 10 years, it's going to take us 10 years, we will resolve some of these real estate problems and the reason for that is self-driving. When we get to the point where the self-driving revolution is completely in bloom and maybe, Michele, I can do another show for you where we talk about this, because I know a lot about this area, it will allow us to expand our housing without an increase in home prices.

Keep in mind that if you go 40 miles from Phoenix, 30 miles from Phoenix in the desert, homes are cheap there, right? If you can build them. What is the problem? The problem is traffic. The problem is traffic prevents us from growing the boundaries.

I can't do that in the San Francisco Bay Area, but in Dallas and Phoenix and Orlando, I can just keep growing in all directions. But the problem is, infrastructure, freeways, traffic. The self-driving revolution reduces the total number of cars on the road from 250 million to 44 million within 10 years. It reduces the infrastructure work that we have to put in on roads because a self-driving vehicle takes 1/10th of the space on the road.

If you look at roads, you look at a freeway, you think that the freeway is packed, right? Look at it from the top view. 90% of the freeway is empty. The space, because humans need space between cars, because our reaction times are very slow, well, machines don't. 10, 12 years from now, when you get to the point where the self-driving revolution hits, I think a ton of our real estate problems will be solved, but we still have to live between now and the next 12 years, but I think real estate is a great opportunity for that time.

Michele: I guess basically, that makes a lot of sense now why most of these companies are getting involved in that space when a lot of other people didn't express the strategy from the side you did. Their strategies were other reasons, but your actually make a lot more sense.

Neal: Huge. It's a massive expansion of real estate. You will be able to, 15 years now, live 50 miles from your work and get there in 40 minutes with almost 0 traffic. I know what I said is a utopian statement, but I think it is absolutely possible.

You look at the internet, we've increased bandwidth of the internet by 1,000 times since the 1980s and has anybody complained about the internet crashing? No, because digital, you can do a lot of things. Well, actually, cars and traffic function just like individual data packets on the internet. Once we get this process digitized, we will have the ability to sustain much higher levels of traffic. Could be as high as five or ten times higher on the same set of freeways, which allows us to expand beyond where we are.

There's a solution coming, but it's definitely 12 or 13 years up.

Michele: Right. That's going to be a lot of other interesting and somewhat predictable problems in between that period, where the goal is to minimize that damage because that damage is extensive.

Neal: Very extensive, unfortunately. As I said, you will start hearing—the people that are hearing the show, you will start hearing, you know, about America's homeless problem more each month, more each year. Even in cities like Phoenix, which is quite reasonable, compared to let's say San Francisco or Seattle or Denver. You're still going to start seeing these tent cities because pressure from all those homeowners that are now priced out of homes, pressures the multifamilies and the people at the bottom of the multifamilies just can't afford the rent and they fall out. You're going to see huge numbers of those people fall out and that's going to happen every year.

Keep an eye out for that because that is a signal for you to say, "I need to be a real estate owner." Because when that problem gets that bad, the government is going to start throwing billions or tens of billions of dollars into it, especially populist governments like Trump's government. They don't want any kind of criticism, so when you start seeing these tent cities mushroom, money will be thrown into it. It will be a great time to be owning real estate when crazy amounts of federal dollars are being thrown into a housing problem.

Michele: Especially your C and B properties.

Neal: Yes. And you said something that's really important here, Michele. Pretty much everything in my philosophy is about B and C properties. A properties, the expensive properties were renters rent because it's a lifestyle for them—even Donald Trump, he has homes, but he still rents because he has some of these places where he just goes every once in a while, so he rents. Class A is a very dangerous situation right now because we've had a lot of new construction. If you're looking to buy upscale condos and downtown Phoenix for rent, I strongly urge you to reconsider. This is not a good time to be getting into Class A. 93% of all construction the last four years was Class A. Rents are declining. Do your research. There is a positive rent growth in Class A anywhere in the United States today, but there's positive rent growth in Class B and C in almost every market in the U.S. In almost every market.

There's a massive difference between these areas. Focus on taking care of the housing needs of the common people. That's where the money is because there's a lot more common people than rich people.

Michele: There's room there for the rich.

Neal: There's headroom there, right? You know, you can just keep increasing those rents because there isn't any inventory coming in, so he's competing with you?

There's a lot of supply problems. Nobody is making Class C properties in the U.S. Nobody has made Class C properties since 1999 when Bill Clinton shut down the Affordable Housing Program. Since that time, we haven't made hundreds of thousands of units a year of affordable housing. We used to make hundreds of thousands of units a year. Last year we made 17,000 of them, so there's no supply for these people.

The only thing that can happen is with no supply and increasing demands, rents go up. That's where you should be focused on, rental market. Whether you're single family or multifamily, focus on the mid-segment, the middle-lower segment, and you're going to do really well regardless of what happens in this cycle, regardless of what happens in a recession.

Michele: What's the first step that someone should take? Just go to the website and determine which class to take or is there a beginner one that they should start with?

Neal: What I suggest to people is, before you spend money, there's a webinar on my website, it's called Real Estate Trends 2018. Some of those were discussed today, maybe 20%, but 80% of them were not discussed. It's an hour-long event, it's recorded. I teach it live. I'm teaching it live, I believe, on the 10th of May, so you're welcome to attend live and ask your questions.

But it's also recorded as a webinar. That's the best place to start. Watch that, it will give you some idea of where your city is in the cycle, what you can be doing, and then the other page for you to look at is the Bootcamp page on MultifamilyU.com. My goal was to teach a completely, absolutely 100% pitch-free bootcamp. You're not going to be running out to max out your credit card because I want to charge you $25-30,000 for mentoring or coaching or tapes. There is no such thing.

You're going to go in, pay a flat fee under 1,000 bucks, and get completely immersive information on multifamily and nothing else. No pitch in the future at all. It's just education. You're going to pay a very low cost for a quality product. Go and read the reviews from the students about this and then if you're ready, if you think that multifamily being active is right for you, jump in.

If you're a passive investor and have money to invest, all you have to do is just call me. My phone number is in the website, I can talk about our upcoming projects. I can show you how our previous projects have done, how our current investors are doing. You're welcome to have that conversation with me one on one.

If you want to be active though and generate revenue or passive income for yourself, I wouldn't call it passive income because you're being active.

Generate income for yourself using other people's money, I think the Bootcamp is a tremendous place to go to.

Michele: That was one of the things that impressed me the most about your approach and your set up, was that you're giving real scenarios. You're not just providing a webinar and then having people go out and about. You're giving them options to be involved in a different way, but you're also showing them, "Here's the projects we did. Here are the financials. Here are the statistics." It's real.

Look, a lot of these other companies or informational setups, educational forums, they're not providing any of that information to show what they have done and what they hold and how they are acquiring properties in the future. Even if nobody wanted—wasn't impressed with everything else, which is tremendous, the fact that you are living, breathing the information that you're providing, and you're disclosing that, should be something—an average human being just goes, "I'm so impressed with that."

Neal: Thank you. But I have to say, this is really the way everyone should be. I think transparency is the way that you should do business. I have investors that call me and say, "Tell me your horror stories," and I tell them a big long list of them, because I'm no guru. I've learned by doing. The difference in my bootcamp is I show you what I've done and used real examples. You're going to see my properties, my staff, things that we did that we thought were great and they didn't work out.

I think that that is the right way to teach and that transparency of what's gone right for us and what's gone wrong for us is an essential part of doing business and establishing trust and if you are doing that, you should do it with your investors.

I have students that say, "You send reports to investors and tell them all this bad stuff? You're telling them about this fire that burned down six units, and this and that?" And I say, "Yes. I never keep any bad information from my investors," because in the end, what they want to see is bad stuff happened, Neal's team handled it, my money is still safe.

Those are the three messages you send: Bad stuff happens, our team handled it, your money is still safe. That's what they want to see. If you just keep showing them all the good news, then they're going to stop trusting you. They're going to be like, "Why isn't he telling me anything bad? I have properties. All kinds of bad stuff happens. There must be bad stuff happening with him as well, he's just not sharing it."

That's when you lose your investor's trust. Always, always be very clear and transparent with your investors. When you do that, you will get more investors, you will get more people investing with you, and their ecosystem of partners and brokers will expand.

Michele: At the end of day, that's exactly what you want. You're building a partnership for people, you're building lots of trust because, as you said, if you've nowhere to look and you're propositioned properly, there's always going to be opportunities. So, by having that layer of transparency, when the opportunities really start to come, now you can call all the people in your database and say, "You guys, look what I just got." They'll be flocking to you, not to mention they're saying, "Hey, I got three other friends that need to get involved." Is there room? And you're like—there's no more room, I'm sorry. We got to go find something else. Then all of a sudden now, you've got an incredible amount of capital ready to support you and now you can't find the inventory, you know what I mean? That's a great problem to have as an investor or someone who is working at that level.

The strategy is brilliant.

Neal: Absolutely.

Michele: It's almost kind of like that's the way people should do business. A lot of people don't. It only makes you stand out more exceptionally. Maybe everything should just stay where it is and the people that are working with you and learning this way, they're going to be more successful because this strategy is—it's honest. It's the way it should be and at the end of the day, the nice guys are supposed to finish first, right?

Neal: Well, I think my nice guys are finishing first. I'm very pleased to see what my students are doing. They're making offers, they're moving forward in their careers, they're creating groups. I tell my students, the first project, the first multifamily is an elephant. It's easier to hunt an elephant in groups. So, I encourage them in a way to group up because they're more likely to take down their first project.

The moment you take down your first project, everyone's confidence goes through the roof. Now you're at 300, 400% of your confidence level, when you're talking with investors, you have little swagger, you have this certainty to your conversations and all of a sudden, the capital gets attracted to you. And then maybe in the future you don't need to partner anymore.

But I believe very strongly that partnership is the right way to go about the first project, so you can leverage the other people and leverage their experience and their time and their money and that just makes the whole process very smooth.

So, if you're a student at my event, you'll notice that there are labs in the Bootcamp that are specifically designed to connect you with other people in your geographic area or people looking in a particular geographic area and I'm doing that deliberately because I know that you're going to be more successful. Partnership is really the key to success in real estate. In any realm, but especially in real estate.

Michele: Sometimes that extra support of just the phone call to let you know that your decision was okay or maybe let's just take a second look at it, could mean all the difference in the world when you get to some of these critical points.

Neal, can you give your website again, so people can tune in and get started in and at least listen to that webinar that talks about their city or the cities they wanted to start taking a look at.

Neal: Absolutely. The Real Estate Trends Webinar is at MultifamilyU.com. Go to MultifamilyU.com and search for the word, Real Estate Trends on the home page. Watch that webinar, it's an hour long.

And then the Bootcamp is at MultifamilyU.com/bootcamp. Even if you're not interested in the Bootcamp, even if you're a passive investor, I urge you to go read the content of those pages. I think you'll enjoy that process, you'll learn a lot from it. Check it out and also, my phone number is in the website. Feel free to call me regardless of whether you're a passive investor or you're thinking of entering the market actively.

Michele: Well, Neal, I really appreciate your time today. I know it's very valuable. You've got your hand in many different parts of the real estate world and especially you're talking about this whole other project that you're working on, the Plug and Play. I really, really appreciate it. The content was amazing. I definitely would love to have you back on to talk about all of these other issues any time that you have availability in your schedule.

Neal: Sounds good. Would love to be back on the show and Michele, once again, thank you for having me on your podcast.

Michele: You're welcome. I'm going to list all this information on our website, which is EverythingHomePodcast.com. We're going to expose the way that investing should be done, good people doing good business and good things, and Neal, you're one of those. I really appreciate you having that ideology and strategy because it's important and it's nice to see that there's some of those good guys still out there.

Neal: Thank you.

Michele: You're welcome.

Neal: Thanks for your time and thank you to all those that are listening.