NEAL BAWA – USING DATA TO BECOME AN ELITE INVESTOR

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Podcast Host: **Kyle Mitchell and Lolita Patipaksiri**

Full Transcript:

Lalita: Hi, everyone Thanks for tuning in to another episode of the passive income through multifamily real estate podcast. I'm your co-host Lolita also joined by Kyle today's interview will be great as we have special guests Neal Bawa here with us today Neal. Thanks, so much for being on our show. How are you?

Neal: Fantastic, thanks for having me on the show guys. I'm very excited to be here happy to have you. All right.

Lalita: Well before we get into the interview, here's a little bit about Neal Neal is the CEO and founder of grow capitis and multi-family you now leads the company and that is the driving the syndication and acquisition of multifamily properties Neal is an expert at what he does and speaks at numerous events across the country.

Over 3,000 students attend his multifamily seminar series each year, and he is also the co-founder of the largest multifamily investment Meetup in the u.s. Bamf over with over 4,000 members. We have had the amazing privilege to have him speak at our multifamily masters Long Beach meet up twice this year already.

So to have you come on our show on our show today Neal is a privilege. So let's go ahead and get started Neal. Could you please tell the listeners a little bit more about yourself and what you currently do?

Neal: Sure, for those of you that don't know me I am a geek. I'm a nerd technologists that sort of fell into real estate through my day job.

My day job required me to build campuses. So in 2003 with my CEOs guidance and help I built a 27,000 square foot campus pretty much from scratch. So it was one of those schools Soup To Nuts projects and then two years later our business was growing so I had a chance to build a second one and those two.

Projects which were so jumbo in size being my first projects really grounded me in real estate and help me understand the different facets of real estate. So you one could easily say that I started in real estate in Reverse, right? So I actually went to single family homes after my first ten million dollars in real estate.

Kyle: Perfect. So today we're going to talk about a whole new way to evaluate a real estate opportunity which is by using data and that's how you and invest so from a high level. How are your data to make better decisions on your real estate Investments?

Neal: Well to me data is everything one of the things that I like to tell people and maybe you want to write this down. Is that data? Is the oil of the 21st century, right? So, if you lived in 50 years ago in Texas, you couldn't almost help but be rich because there was oil everywhere, right? And then you basically went out and bought a large piece of land sooner or later. You would hit oil; you know hit oil and be very rich the same thing the exact same thing happens with the use of data and analytics and everybody.

Everybody that I talk to says I'm data-driven right and people are like, yeah, you know, I love your data, you know processes. I love what you're talking about. That's exactly how I'm set up and I'd like to challenge that because I think that we are all surface level data driven, right? We're all people that like to say that we're data-driven but we're really not as data-driven as we should be and I think success is just one step above where most people are.

In terms of being data-driven and that's that's what I'm going to tell you about today. I'm going to challenge you a little bit to go up that one or two extra steps so you can truly be data-driven and when you're truly data driven, you have to make some amends sacrifices, for example, if I've been saying really really great things about a Metro and the data doesn't support it.

Now becomes part of my job to stop saying that or to say things like well Columbus is actually now slowing down.

It's been a great Metro for the last three or four years. And so I'm not looking there anymore. I'm going to go to some other place and it takes a lot of courage to say that

because you probably built a lot of relationships in Columbus at by this

at this time and to walk away from that requires a lot of Courage.

So data is not just about. Application of numbers data is about living by what those numbers say and being courageous enough to walk away from perfectly good deals when the data says that they're okay and not great or they're good and not great near looking for great deals. So when I'm looking at the data for Real Estate, I have a set of metrics and I'm going to give you those sets of metrics today and you can basically learn how you know how I apply these metrics.

And then I also look at overall health of Metro. So I gather information. For example my favorite city in the u.s. To invest in depending upon which day of the week it is is either st. George Utah or Provo, Utah, right. So those are the two that I love the most and Provo just one the. This is this is in 2019.

The 2018 Award for best performing city in the United States. So best-performing City. So I look at that sort of data. It's subjective data that that feeds back into my objective data, but the objective data that I look at is really five different metrics at a city level and then five metrics neighborhood level today will have a chance to talk about the city level.

So the number met one metric that matters is population growth. Right when you go into places that are losing population like Detroit what you're doing is you're sitting in an airplane. That has headwinds right? So if you're sitting in a plane and it's going 550 miles an hour and you have 200 miles of hairdo and guess what your plane is actually only going at 350 not 550, right?

And if the if the if you turn that plane around you turn around a hundred eighty degrees and when the. Other direction now, you have a 200-mile Tailwind. So now your plane is not playing at 550. It's lying at 7:50 all of a sudden even though it's all flying at the exact same speed when I say speed try to correlate that to the same price homes the same tenant bases the same, you know, same everything else.

But your demographic data is pushing you faster or slower depending upon where you're buying, and the first piece of those demographics is population.

And the rule that I like to apply for population is. There’s a website called CD – data.com now actually before I go to City – data, we’ll just talk about Google to pull population data for any City in the u.s.

All you have to do is type in population space, you know, Columbus Ohio or whatever the city is and hit enter in Google will give you a very nice colored graphic, right? So I know it’ll have a line that’s going up or going down hopefully lines going up because that shows the population is increasing.

And what you want to do is you want to take a look at the latest number which Google shows right there on the page and then you want a mouse back a little bit so that you can get to the mm number. So those two numbers take those numbers and figure out the difference between them you want the difference between 2000 in the current year to be about 20% It’s a good rule of thumb and if you’re going into cities that are above that 20% you’re likely to do really well because the population growth is driving up.

A demand for jobs demand for homes and also incomes. So, you’re going to do really well on all of those metrics at the population growth is there so some of the cities that have been growing very fast our Phoenix Orlando cities like St. George approval. These are cities that have extremely fast growth and then you have cities that are doing okay.

They’re not doing poorly but they’re not growing Cincinnati is a city that comes to mind. So is Pittsburgh these are cities that have lost population, but they’ve lost two very little populations that are doing okay and then their cities that have had very massive losses in population. Detroit Dayton, Ohio are cities that come to mind are our place is that there has been a massive amount of population loss and I can tell you that in my mind.

The population loss in Detroit is more than a 200-mile Headway in my mind that plane may not be going forward at all because it’s going at 500 miles an hour with a 500 mile an hour headwind. It’s a really difficult to make money there. People are making money there. I’m not saying that people nobody makes money in Detroit, but the percentage of people losing money.Is much higher than the percentage of people making money. So you have to be careful in those sorts of places. So population growth is really Kyle my first metric when it comes to, you know, looking at the numbers.

Kyle: Okay, perfect. Well, I love this episode because you’re just going to go through all your focuses and I’m going to have to talk less so that’s awesome. So, can we go through your other four City real Focus has

Neal: Certainly, so the second real focus is simply the income growth, right? So, you're looking for there to be a certain amount of income growth in any particular City and getting that information is really easy you go to City – data.com. And you plug in the name of the city so could be Phoenix, you know, Arizona and then you scroll down maybe about 6 inches or so and you'll come across median household income.

You're looking at median household income and what you are. Once again, you'll see two numbers. You're going to see a number now. It's a few years old, but it doesn't matter just pick up that number and then next to it. You'll see a number of where that no income level was in the year 2000. The difference between those two numbers and little bit of excel work needed here should be about 30 percent.

So, population growth 20% and now you're looking for income, you know, that should be about 30% and why in 30% because at population growth is driving up the incomes Beyond inflation every city, even the ones losing population will typically see an increase in income. There's going to be some because of pearl.

But you know it because of inflation right but you're now going faster than inflation because that population is pushing up

your income levels.

So, 30% is that second number that you should be looking at? And then the third number that you should be looking at is tied to that and that is home price growth.

So, on the same city data page roughly an inch below where it says median household income. You actually have median house or condo. Take a look at that. Once again. You'll see two numbers. You'll see the mm number. You'll see the most recent number basically figure out the difference between them.

Now this time it's not 20% It's not 30% it 40% you want to basically hit an area that has a 40% growth in its home. Or con values in that same timeframe, right 20 leads to 30 30 leads to 40. So, you know getting what is known as the All Ships Rising effect. This is one of the most powerful things in real estate.

I tell people it's like cheating right and people like what do you mean it's like cheating basically what I tell them is if I was investing in Shreveport, Louisiana, Right. This is one of the worst markets in the country in my in my book. Obviously. I’m no expert but in my when I do the math Shreveport, Louisiana looks really bad and then I compare that to something like Saint George and the numbers for St. George might be five or ten times higher all of these numbers that I just mentioned. To me that’s almost like cheating and it only took me like an hour or two hours to figure out that St. George has one of the highest population growth and job growth and income growth in the United States. It wasn’t very difficult to figure those things out and then look at Louisiana. So, given that it only took me an hour to become this instant expert at real estate. It’s almost like cheating. Because you’re going to end up making many times more money in Provo, Utah or St. George Utah or some of the cities in Florida that are doing really well beginning to get a little bubbly now by the way, and that’s why I think in an odd sort of way.

It is like cheating but you’re not doing anything wrong you’re using numbers you’re using that; you know data that’s acceptable to anybody else. And essentially you can look like a Rockstar.

Neal: Even though you really not you’re just somebody that has been patient enough to use numbers.

And to really accept what they say and walk away from opportunities when they don’t match what these numbers are saying, so that’s my number three metric right?

So, home price growth 40 percent or greater and a lot of the cities that I just mentioned would crush these numbers Orlando Phoenix, you know St. George. Um, Dalton, Georgia and our Dalton, Ohio Dalton, Georgia would crush these numbers. So weird Atlanta. So would Jacksonville our Tucson these are cities that would really easily beat these numbers.

Some cities are crazy Orlando and Phoenix have had over a hundred percent growth in home prices, not 40, but over a hundred percent, right? So some of the studies cities are way past this number. Beyond that the number for this the fourth number that we look for is still on that city data page, but now you got a scroll down a little bit.

You got to scroll down several feet before you hit this blue table and that blue table says crime rates, right? And it’s a massive table where it’s got, you know lines for like rapes and robberies and burglaries and all those sorts of things. You have to ignore all of those and go to the last line in the last line.

To the there you're looking at the leftmost number and the rightmost number as you can imagine. The rightmost is the current year or the newest year and the leftmost number is about 15 16 years ago. So you're comparing those two numbers, but you're making sure that the rightmost number the most current member.

Is at least 500 or below you want to be below 500 in crime. Now, you might say what does that mean Neal does that mean there's five hundred murders in that City in a year and the answer is no this is an aggregate number. It's almost like a metric that they've created by looking at all the different crime and aggregating and coming up with some sort of formula. It's called a city data index. So it's an index and you want to the city that you're investing in to be below 500, but there's something else that you want. You want the number on the left to be a lot higher than the lumber on the right? Because what that shows are crime was higher before and has been declining over time. And because crime has been declining over the last 15 years. There's a good chance it will keep declining. And the more the decline in crime the lower the cap rates which means the higher the prices whether it's single family or multifamily. So, you'll get this again this All Ships Rising effect. If you're in a city where crime is steadily declining and has been for at least a decade hopefully for even longer than that and so, look for 500 and below. And then also look for there to be a decline. So Orlando one of my favorite cities to invest is not quite at 500. It's at about 550. But what I like is that it was at 8:50 not you know in 2002 and 2003. So it's really come a very long way and has a very consistent track record of decline Columbus, Ohio used to be at about 750 and now it's at.

At 414 so it's clock cross that 500 level even though it's a Rust Belt City and used to be a high crime city Boise. Idaho is the best in the u.s. At 214. So those are amazing numbers Phoenix is somewhere in the middle right around 500, but certainly has dropped a great deal in crime of the last 15 years.

So you're looking for those sorts of cities. And once again, what you're trying to do is to game the system so that when you leave five or ten years later crime will be a lot lower. And you're going to get compensated from that by the buyer when

people are like well prices can't go any lower in Phoenix or Orlando.

Really? Why can't they go any lower? The Ascend Francisco Bay area has prices that are three times higher. Not 30% higher 3x higher, right? Why would do is there something magical about the San Francisco Bay area that prices know anywhere else can’t really match us. That’s never going to happen.

Right you look at Austin. It’s been on that technology Journey for the last 10 or 15 years and its prices. Don’t worry even resemble the rest of Texas. But cities change and it takes a long time for them to change 10 years or 15 years the the benchmarks of pricing just simply change. You look at Salt Lake City.

It’s already four and a half cap market, right? Whereas Provo might be more like 5 and 1/2 cups in George might be more than more like six and a half cap. So cities have changed over time. Say same say, you know, Salt Lake City didn’t look like this in terms of cap rates five or ten years ago, but.

But as institutional money flooded into the market the market changes changed and so you can game the system if you know which way the city is going. The last metric that I love to talk about Kyle, and this is to me really one of the most important metrics is job jobs. Unfortunately, you cannot get job data from CD – de raadt cam at least not accurate data job data is actually provided very current in the current in the in the u.s.

Because of Social Security checks having to be card each month so you can really get job data for two months ago. And the URL is a little bit complicated. So maybe you guys can type that into the chat here for the people that are listening. It’s Department of numbers.com. That’s dep T of numbers.com / employment / metros.

So, what you’re trying to do is that you are trying to go to this you basically go to this page / employment / metros and going to see a list of every Metro in the u.s. All of them hundreds and hundreds and hundreds of them and the last column to the right shows you basically the unemployment rate right and you click that rate.

I’m sorry. The job growth rates are not the unemployment rate the job growth rate growth over the last 12 months. And you going to sort that and then you’re going to start seeing some amazing cities at the top of this list. Obviously, the bottom of this list is horrible. Those are cities that even today with, you know, eight or nine years of continuous growth.

We’ve created 20 million jobs in this country. These are places still losing population, you know, Practically Perfect unemployment rates or employment rates. Well, I know what’s going to happen to these places. As soon as we get into a recession. They’re going to turn into disaster zone. So stay very far away from anything in the bottom 25% of this list the top 25% The list is very challenging also.

That’s because a lot of these are low cap places but a lot of these are places you’ve never heard of so the top of the list right now at slightly over five percent year over year job growth is Reno, Nevada. Most of those are industrial jobs because it’s an industrial center Tesla’s there. But there’s a lot of opportunity there.

So, I don’t particularly like Reno as much even though it stays at the top of the list because it’s so focused on Industrial which I feel is a very fickle Market can turn on a dime. St. George is that right next to Reno and and it’s at 4.87. And what I like is saying George has basically two- or three-men legs, there’s education there’s health care and there’s tourism rights its economy is not dependent on one of these three.

It’s dependent on three of them. It also happens to be part of a state that’s doing really well. There’s also a CD from New Jersey that shows up there. But as a state New Jersey’s doing really poorly so I like the fact that you know, Saint George in a state that also is ranked very highly top three in the U.S

So when you looking at these cities the last thing that you should be doing guys is look at this list once because every once in a while some major manufacturer is going to go open a location one of these cities and all of a sudden there’s 500 brand new jobs that come in. Right and so the city sort of spikes, you know for a month or two months or three months and then basically goes down to you know, being sleepy town.

And so, what you want to do is you actually want to look at that page and I usually have my staff copied into Excel and put it into an Excel tab. We look at it every month and we want to look at it every three months and usually I just look at the top like 20 or 30 cities because that’s what my focus is.

I want to invest in the places that have the fastest job growth in the U.S So I look at them every single month and I'm like, okay, what's the pattern here? Right. So, I see Provo. I see Saint George. I see Atlanta Phoenix. Orlando is very consistent. In that top list and then their cities that just go sort of up and down and you'll see them Kennewick Washington comes in often Dalton; Georgia comes in often.

Those are other places that are interesting Jacksonville often shows up, but it's not very consistent. Right? So, I'm looking for a lot of consistency in that job growth list, and there's nothing that you're going to find that tells you more about where America is headed than this page such a simple page. It's just a list. But the amount of money that you're going to create for your investors by just bookmarking this and going to it every single month. Just put it a reminder on your calendar. You've gone from being just a regular Joe investor to being an elite investor. That's I mean, that's how much of a difference all this stuff makes right? I pay for expensive tools like neighborhoods Cowden housing alerts and local market Monitor and co-star, but I still find this one list to be the easiest to give me a sense of what's happening in the US. It's especially important right now because I have to tell you this after six or seven years of just everything goes up. That's not the case anymore. The single-family Market is stuttering. We're starting to see no growth in home prices Nationwide or maybe like just very anemic growth. There are markets where home prices are reducing the San Francisco Bay Area be one of them Los Angeles is flat could also see a reduction.

So, there's a lot of Market Miami in my mind is it is a is a very dangerous Market because of the massive number of unpurchased condos that are available for sale there five years of condo inventory. Available for sale. So, there's going to be all kinds of bad things that will happen over the next year as if we had some kind of economic roadblock or slower growth.

So, it's very important today to be careful. I find that the sometimes people say, you know multifamily is in a bubble and I say that's just total nonsense. There's no evidence of that. Here's evidence of something else. That's in a bubble multifamily. Right a lot of syndicators basically getting together and trying to sell properties in places that are just horrible right?

I know you guys are looking in Phoenix. Obviously, that's one of the better markets out there. Also, not just for the five-year but also for the 15 year. But I see people out there looking at really terrible markets and the Fallout is going to affect all of us. So, today's it really had time to be careful and a time to basically said look at every deal five times before you say.

Yes, you know in our case we're saying no, I mean we recently said no to a deal in Phoenix simply because it was. It wasn't strong enough. We feel like we want to have a lot of room to screw up a lot of room to make mistakes. Right? So those things happen, right? So, it's a podcast so I can say you know these oh fuck moments when they happen, right?

If you have you know, enough of a room, you'll still make your investors what supposed to have to you know, what you're supposed to give them. So, we're looking for that kind of room. Today because the market is sort of surprised to Perfection. We're all underwriting, assuming the whole bunch of glowing things.

Assuming that a lot of good things are going to happen. So, it's really time to be you know, careful about the marketplace. That's what I feel today in my God.

Kyle: Yeah, awesome for that. Thank you for all that detail now going back to the department numbers page. There are a couple of cities that show up at the top of that list that you probably should stay away from as well. Can you talk a little bit about those

Neal: Yeah. So basically, in Texas there are cities like Odessa, Texas and there's another one can remember what that one is, but there's. These two cities that either are the at the very top of this list or the very bottom and there are at the very top of the list when the price of oil is about above 65 or 70 dollars a barrel because the city's almost a hundred percent of their employment the other ones Midland middle in or Desa.

Almost a hundred percent of employment are Drillers, right and they're related to Shale oil. And so, what I tell people is the most dangerous places in America to invest for Real Estate are not places like Detroit or parts of Detroit. It's actually Midland, Texas in Odessa, Texas if you don't understand oil if you really don't get oil. Those are the worst places to invest.

Kyle: Okay, and then going back to Crime on the city data table. I just want to make sure anyone that's going to utilize this you can see a drop-off in crime in that city data and it could actually be a little bit of a false indicator. Can you talk about that as far as the two ways that a city can basically reduce their crime, right?

Neal: So. They call it the Chicago method and the Columbus method so CDs can effectively over. Let's say a short-term or long-term. They can try to reduce crime in two different ways. The the better method takes about 15 years 15 or 20 years and that is that the city starts to make a major investment into its universities.

And into its Healthcare Systems. So, what they do is they start attracting health care and education jobs and those jobs tend to be the most stable. They tend to have pensions connected to them. They tend to have you know job security and so cities want those kinds of jobs. So, Columbus for example, spend a lot of time investing into Ohio State they spend a lot of time.

Investing into its Healthcare Systems in the 90s and they really didn't see a result back then. So, the politicians that made that investment back then we're all Visionaries because they didn't get the benefit while they were in office, but they knew it was the right thing to do for their city. And so, they made that investment instead of doing something very flashy.

Then there are cities that have taken the approach of being very politically connected to crime. So, what you know Chicago has been one of those cities where every time there's all this hoo-ha in the newspapers about there being too much crime in in Chicago. We on an ongoing basis. We will start seeing a crime dry.

We're basically their goal is to lock up, you know. 5,000 people from the South side. Yeah, and and some of those are fairly Petty crimes, but because these people have, you know been in jail before now their terms are longer. So now you basically have somebody that did a minor theft and you stuck him in jail for three or four years and turn them into a hardened criminal.

Now when you do that, obviously you stuck 5,000 people in jail. Well, you're going to see a decline in crime. So the next year you're going to see a big drop in the city data numbers and you go. Hmm. Well this this is nicer in Chicago is moving the right direction. None. No, such thing is really happening.

Right because what's happening is two or three years later. The election is over whoever was elected as mayor because he locked up a bunch of people one. And now those people are coming back out and when they're coming back out as hardened criminals, they're not doing petty crime. They might be getting involved in some very very serious crime which obviously counts more on the accounts as a higher number on the index.

Now all of a sudden you see the spike backwards. So now you see this Ziggy zaggy sort of thing up and down up and down what that means is the city is trying to reduce crime through enforcement and there's actually no historical evidence that you can reduce crime in the long run through enforcement. The only way to room would reduce crime is jobs. Right the enemy and employment and education series that have very high levels of Education also tend to have very low

Lalita: Levels of prime Provo is a perfect example of a city UVU and BYU both of which are in Provo have extremely high quality of graduates.

Neal: And so, the city's unemployment rate is at 2% there for his crime is almost 0 so you when you look at the crime for the city you go to these people leave their doors open because they probably could. And it's okay to that when you live in a place like that. So, on the other hand you look at South Chicago or you look at you know parts of Oakland or parts of Memphis and those are extraordinarily dangerous places.

And that's what this study of numbers is showing you why is it that you're getting such a great deal in Memphis? Why is it that you're getting such a great deal in South Chicago my advice to you is that you should walk away from those deals? There are no great deals today and if one appears great, it's because you haven't figured out what's wrong with.

Kyle: Yep, great advice. Okay. So, you've already given three different websites are free tools that people can use city data Department numbers Google. Are there any other free tools out there that people should use as far as data is concerned?

Neal: Not free, but sort of free. So, I'm going to give you some ideas. Right? So, one of my favorite tools is is housing alerts.com and it's about it's about a thousand dollars a year and it's run by Ken Wade a Stanford grad. Very smart guy. Now what these guys do is. They to promote what they're doing every once in a while. They record a video snippet of their analytic tool and they stick it on YouTube.

So I want you to go to YouTube and find housing alerts And subscribe to their. And one of the things that happens is when you walk through those videos, they do things like worst cities in America to invest in there's a two minute or three-minute video, right? And whenever you're watching the video watch it on a monitor that has a very high resolution, right?

And so, as they're going through the video at some point, they'll show you a screenshot of you of the of their software will then pause the video click pause. And then take a full screen shot left to right of what they're showing you because on the screen right now or the worst ranked in the best ranked cities in the you in the US and not only can you see them you can actually see why they're ranked best because there's columns and those columns are showing things like jobs and population growth and income growth, right?

So, the metrics and they usually do a ranking of one to a hundred right? So like Provo might be ranked in the high 90s and you know, Chicago I think has a very low ranking right now. So, what you're basically doing is without actually subscribing you're getting access to some of their data.

Obviously. The right thing to do in my mind is to subscribe to their data right A lot of people say oh but it's a thousand bucks and I say something like this. Are you looking to invest a hundred dollars in real estate? If that's the case, then thousand dollars is a lot. If you're looking to invest at least 10,000 dollars in real estate. Most people are right

Neal: Then $1,000 is very little because I'm talking about potentially you are swinging your profit by 2x or 3x. Right and

$1,000 is 10% of 10,000. If you're investing a hundred grand that it's 1%. And if you're investing your investors' money, then it is your duty to be looking at this.

It's your job your duty to look at these paid tools and who knows you might be able to build them back to your investors in some projects, especially if you're you know doing a market study or something like that. So, it's super important to look at those kinds of tools. So, housing alerts their videos are on YouTube are definitely a good place to look at and then on my website multifamilyu.com.

Lalita: There are their search for Engel Windsoring. Oh, just to search for the wording. Oh, and you'll see that Engel Windsor. Who is the CEO of local market monitor.com comes in every three or four months and does a webinar? This guy is sort of gives away his data. In that webinar, I'm usually stunned.

It's like, you know by the end of the webinar. I'm kind of scratching my head going. So why do I want to really buy your product and the answer is well, you know because you want to have the Deep dive access into as particular ZIP code or particular neighborhood, but at a city level the the information that he gives away is quite stunning and his products only is also about a thousand bucks in my mind is better.

Then housing alerts and what's nice is that he gives us a massive discount. So if you know the code that our people use is called it's called multifamilyU so just you know, you can approach them and say hey I'm a multi-family you student and they'll give you a massive discount so that so that one might be a good one to try.

But again, there's a cost associated with it. So now I'm going from you know free to almost three. But my message is clearly this you really should be paying for data because if you don't pay for data, you're going to pay for not paying for data. I hope you understand what that means.

Neal: Yep.

Kyle: Absolutely. Great Louise going to take us into our final four questions. Are you ready?

Lalita: All right. Now here we go speaking of tools. What is the one tool that you use in real estate investing that you cannot do without?

Neal: Neighborhood Scout so we pulled about 300 reports in the last year. It is a paid tool but it's extremely inexpensive. We use the last page of the neighborhood Scout report extensively the blue-chip versus the appreciation and we look for places that are. 3/3 on those two levels or higher so Provo for example is for on the future appreciation out of 5 and 5, which is the highest score on the Blue-Chip size side. So, you basically can get any better than that. I've never seen a 5/5 but that particular page is potentially the most powerful page of any analytics in the business.

Lalita: Perfect. Thanks for that. Can you tell us a story about your biggest mistake in real estate investing so far? And what's the main takeaway for our listeners?

Neal: I bought a 237 unit in South Chicago and everything that I've told you came out of the incredible pain that I've gone through.

My partner has gone through my investors have gone through the property is now up for sale investors will recover their money, but we didn't give him a dollar in cash flow over almost four years. I mean you cannot imagine Lolita the number. Of sleepless nights I've had where I've just stared at the ceiling for days or weeks on, you know, just not being able to get to sleep because I was afraid that I was going to lose investor money and the good things that came out of it two things.

Number one everything that I just told you came out of it because I researched, and I said I am not going to make this mistake again. And so my whole system what came out of trying to understand what I did wrong in South Chicago the second piece of what I came out of it is I realized that I needed to generate an extraordinarily large number of tenant leads because a tenant quality there was so awful that basically out of a hundred people that were interested.

We could only get two or three of them into our apartment complex. Otherwise, we would have this and never-ending cycle of delinquency. And so, I created a massive team in the Philippines. It's up to about 16 people now and that tape generates about 30 40 thousand leads for our properties, which we are absolutely delighted to have because it's so much easier to lease up those properties with the team.

So, we I took what was a four year. Torture process in Chicago and turned it into basically the two biggest advantages of my company the data analytics and the Army in the Philippines that optimizes our properties.

Lalita: Well, that's great. You live and you learn what is it that you need to do now to grow your life to the next level?

Neal: Honestly from a business perspective. I have everything that I want. I had the question I'm asking myself every day is how do I make my life better? And a lot of those things have nothing to do with money, you know, my wife and I had Driven luxury cars, but they're not the most expensive luxury cars.

They're you know, they're regular vehicles at most people drive. I live in a beautiful home. You're actually sitting my you know, that looking by Loft and. So, to me, it's really about what more can I do? Right? So, a lot of it is related to charity. A lot of it is related to giving back but a lot of it is also related to how do I enrich my life?

Right? So, I told people that the sort of things that I'm looking to do now with my life is figure out what truly enriches my life. For example, I'm. You know starting this year. I'm going to have a massage therapist every weekend so I can relax and also as I get older, I'm 47. I can he can work through all of the issues that my body is beginning to develop because I wrecked it back in the 20s, but with motorcycle accidents, so those things to me.

Are a hundred times more powerful than you know, all these vision board things that you see the judge at the boat the island. I really have no interest in any of those. I'm looking to figure out how to optimize my life and I'm looking to see how can I do it the same for my team members? What can I do to make their life better?

Absolutely love that answer. Finally, Neal. Where can people find out more about you.

Neal: The best way to contact me and I'm very visible to people you can reach out to me on physics on Facebook. I'm the only Neal Bawa on the internet and also feel free to reach out to me on multifamilyu.com another place all of my research what I gave you is roughly a quarter percent of my research.

The rest of my research is in my multifamily your toolkit the toolkit is available for free anyone can have access to it. So two ways to get access to it one is go to dub dub multifamily u.com slash toolkit or send a text message. The word re toolkit. No spaces re toolkit to 4 4 to 2. Either way that will give you access to the.

To the toolkit. I updated every quarter and then we send an email to you every quarter saying okay, here's all the latest stuff that we've added like the Milliken report that just came outranking, you know hundred cities in the U.S. Is the next thing that we're going to add to the toolkit because the report just came out.

Lalita: Fantastic Neal you are amazing and you make it seem like investing is obvious and easier than it really is. I truly enjoy listening to you speak so listeners. I highly encourage you to attend an event that Neal is speaking at or to participate and his multifamily seminars and boot camps. You'll be absolutely stun on the content.

He goes over so Neal as always, so great to see you and thanks so much for being on our show.

Neal: Thanks Kyle. Thanks Lolita. Thanks for having me on thank for wonderful day.