EPISODE 281

[INTRODUCTION]

Daniel Holmlund (DH): I am a real estate investor. I go out and find properties every day. I bring great value to my investors. If you go into it with that attitude rather than "I have to work really hard and put my nose to the grindstone". If you go into it with the attitude for the long term, and with a joyful attitude, you are going to last for the long run. You will hit your goals and you won't burn out. You have to take breaks, but you won't have the yo-yo investing syndrome.

Announcer: Welcome to Elevate, the masterclass where we dissect the elements of exceptional achievement and lifestyle design with a focus on personal growth and real estate investing. Now, here's your host, Tyler Chesser.

Tyler Chesser (TC): Elevate nation, welcome back. This is Tyler Chesser. I'm so thankful to have you here and I'm blessed and grateful to be sitting with Daniel Holmlund today. Today you're going to learn about the grit required to achieving massive, consistent goals in real estate investing. You're also going to learn about the difference in flipping versus creating value. You're also going to learn about the most important indicators that you should be looking for when analyzing or potentially making your next investment. So, I want to encourage you to buckle up. Today's episode is extremely powerful, is extremely insightful, extremely actionable.

TC: Elevate podcast is all about mindset, mind expansion and personal development for high-performing real estate investors. I'm your host, Tyler Chesser, and I'm a professional real estate investor and entrepreneur. It is my job to decode the stories, habits and multifaceted expertise of world-class investors, and other experts to help you elevate your performance and lifestyle. Are you ready to take it to another level? It is time, let's raise the bar today. I want to thank you so much for being back here today. If it's your first time listening, welcome to Elevate podcast, it is our job to create massive value for you to pour into your cup. So please be willing and open yourself to receive massive value today. If you've been here before, thank you so much for coming back. We're super grateful to have the opportunity to pour back into your cup. And I want to encourage you whether it's your first time or your 280th time to pay it forward and share this episode with a friend. All you have to do is grab the link, send it in a text message, email, posting on social media, or whatever you need to do, share this episode. That's the fee. That's all we ask from you is just that you help us spread this message that you can elevate your life without limits, that you can grow your portfolio, that you can grow your passive income or your income from real estate more than your earned income. You can create a lifestyle with abundance with freedom. And that's what this podcast is all about. So pay it forward. Because just like any other business, that's the only way that we can grow is if you continue to pay it forward and share this episode. Also, give us a rating review or subscribe or follow Elevate podcast wherever it is that you listen or watch podcasts. By the way, you can watch every single one of these podcasts on YouTube. You can listen on any podcast platform, you name it, we're here to add value to you. I just want to thank you again for being here.

TC: And I want to dive in and introduce you to Daniel Holmlund who is a managing partner of Good Samaritan Capital LLC, a private real estate investment firm that specializes in multifamily acquisitions. Daniel founded Good Samaritan Capital because he strongly believes that investors can realize great returns while building and helping communities. Good Samaritan Capital has closed on 168 million dollars of assets under management, which includes 2,643 units in properties across eight states. And if you want to learn more about him and his company, go to GoodSamaritanCapital.com. Without further ado, please enjoy this phenomenal conversation with Daniel Holmlund.

[INTERVIEW]

DH: Thank you, Tyler. It's great to be here.

TC: Great to be with you as well, my friend. Thank you so much. I'm excited about our conversation today. Before we really dive into this conversation, I'd love for you to talk a little bit about your upbringing, your backstory, because I think that is very important for us to understand who exactly we're talking to here. I know, it's a very broad question. But if you could share a little bit about sort of your upbringing, your background.

DH: Yeah, so I was raised in California and a typically middle-class family, Santa Rosa, California. There are a couple of items I could go to that would be of interest, I think to the audience here. And that is either summer or winter, every other year, we flew out to my grandparents who lived in Missouri, and they had a farm there. And so I got to do a little bit of farm work kind of growing up, more being a kid on the farm and just kind of running around, hiking, scaring the cows and being told not to do that. One thing that was interesting about that is there was a farm there and then my grandpa who worked for International Harvester, he was a tractor repairman. And when he finally retired, my grandma being the real financial wizard between the two of them said, hey, let's go buy an apartment complex, and we'll fix it up. And that'll be our retirement. They did actually, they fixed it up. And that was their retirement. And the one thing that really stuck with me is that they had the farm but other than that they didn't have anything they were going to hand down to their children until they bought that apartment complex. And they did it after he retired. And so it really struck me that this was a way to build wealth and to bring things to the next generation. I was actually 10 years old when he passed away and I was listening to my parents talking on the phone with lawyers and tax attorneys and things like that. They couldn't afford to pay the inheritance taxes so we weren't able to inherit the building. We had to sell it. All that consternation, all that headache was only there because my grandparents had something that they could pass down that left a really strong mark on me as a kid. I started investing in real estate right out of college, and haven't looked back.

TC: Man, that's really cool. I'm actually just curious. I mean, your grandpa, obviously, what an interesting and awesome story. When they retired, then they decided to buy an apartment complex. Where do you think he was exposed to that sort of type of investment? I mean, you know, it almost seems like a man who is a farmer, you know, it's like, well, where did that actually come from? This is a pure curiosity type of question. But where do you think it came from?

DH: It came from my grandma, that's where it came from. Okay. So my grandma's side of the family had been very well-known for actually buying coal mines out in Virginia. They had an investor mindset. My grandpa didn't really, but he had a, you know, a wonderful partner who put the idea in his head.

TC: Wow, very cool. So the entrepreneurial bug, obviously, from your grandma, then spilled over to your grandpa, of course, they were entrepreneurs in their own sense in owning a farm. And so then he bought this apartment complex. So, was that in town, or was that out of state?

DH: It wasn't, it was a little ways away. It was in Aurora, Illinois, it was 120 units. And it was a ty pical C-Class apartment. They bought it pretty rundown and they themselves just went from unit to unit to unit fixing it up. And over a period of about three or four years, they fixed the whole place up in their late 60s.

TC: They literally learned the business that first deal on 120-plus units and just did it themselves.

DH: Yep. So my grandma said, hey, let's get your brother in on this. We need a partner in order to, you know, get the capital together. So they actually partnered with my grandmother's brother but the two of them operated it.

TC: Very cool, man. That's, that is awesome. And so then obviously, that left a strong mark on you as you mentioned, and out of college, you said you started to invest in real estate, is that correct? Right out of college?

DH: Pretty much. I graduated in 2001, I bought my first house in 2002.

TC: Nice. And so that was just a single-family home?

DH: Ended up buying four single-family homes in the Chicago area. I pretty much flipped them. I didn't make a ton of money on them. But it was me really getting my feet wet. I became comfortable with dealing with contracts, with dealing with people. I learned a lot about what not to do, learned just flipping real estate honestly, isn't a huge value add. You can try and buy it low and sell it for a little bit higher. But in order to actually do good in this business, to be a good Samaritan, you need to be able to create value inside your business. And that was one thing I learned there. So I flipped these four houses. And I actually ended up, I was working at the time also as a software engineer for Bank of America.

DH: Actually, let me back up my story a little bit there. When I initially moved out to Chicago, right after college, I was working for my uncle who was a trader in the Chicago Board of Trade. So, I was actually standing down to the 10-year bond pit, which was really cool. And as people know that 10-year bond pit is what the 30-year mortgage is mostly based off of. So where are the 10-year bond goes, if it goes up or down, mortgages tend to follow. And so it's a key indicator for mortgage rates and housing prices. And so we were actually standing down to the pit and buying and selling. My uncle was the experienced trader who would do all the hand signals. And then he kept me there. So that because at that time in the year 2002, at that point, a lot of the liquidity in the bond pit was moving from being in the pit and hand signals to computerized screens, tablets were starting to be introduced, and some of the traders were starting to carry around tablets.

DH: So there was a lot of interesting strategy in the trading down there in that, you know, one trader might buy 500 bonds and then sell a thousand on the screen with nobody knowing. So everybody thought he was buying it up. But really he was selling it out. So, my uncle realized that a lot of the trading activity wasn't going to happen on hand signals going forward. And today, it's mostly computerized, the bond pits are really just a shadow of what they used to be 20 years ago. We were there doing that. I got a job with Bank of America after that, and working on their foreign currency transaction servers and buying these four houses in the meantime. So that was a bit of my backstory.

TC: You know, it's so interesting. It's just being 20 years ago, what you just described almost feels prehistoric, you know, in many capacities. It's like, you know, the fact that we were just then transitioning to the digital era in the bond pit, so to speak, and how it's now become so technologically driven. And then obviously, with your background as a software engineer, or software developer and what you've done, your professional career, in addition to investing, it is really interesting to think back 20 years and now fast forward. But when you were buying those first four homes, I mean, what was the strategy? Or was it mainly hey, my grandpa, my grandma, they did this. It seemed to work well for them. Maybe we weren't able to inherit it. But you know, there was a clue there. What was the strategy? I mean, what was the thought process behind that initial set of investments?

DH: Yeah, you know, at least as a beginning investor, and you know, coming right out of college, I didn't have any money. So I was just wholesaling. You know, I'd go find a property, I get it under contract, and I'd sell it to an investor who wanted to take care of it. You know, and make 2, 3, 4,000 dollars and call it good. And so that's really all there was behind it. I was just going out there hustling, finding something that a person wanted to sell. I came across one lady, I forget what her name is now. But basically, she wanted to move out to be with her boyfriend in the next state over. She had a house there that was tying her there and she was trying to get rid of it. So I came in and said, hey, yeah, you know, I'll buy the house from you. And I think I gave her, you know, a pretty good price on the deal. It was like 90% of the value, something like that. And then you just take that and wholesale it. And she was very happy to do that. And I was happy to receive that and it worked out well all the way around.

TC: I love that. Talk to me a little bit about how things have evolved ever since. I mean, obviously, you're doing a lot of different sorts of investments today. But talk to me about that evolution. I mean, if you were to kind of connect the dots from there to then, tell me a little about that.

DH: Oh my goodness, there's a lot of detail there. Okay, so working for Bank of America, I decided to go do something more worthwhile with my life. I and my wife who I met in 2003, we moved to France, and began working at a nonprofit in France. Bank of America basically drove me out of the country, the place is soulless. So, we went overseas, and we were working with a group and working with literacy, French-speaking people and African French-speaking people in particular. And we were with a church in that area, working with a local church plant. And so we worked there for almost four years and during that time, I supported the family from donations that we had raised before we've come over, but I was also supplementing that with hard money lending.

DH: So this was 2006 to 2008. I was a hard money lender from, you know, Europe over to the US. And I was doing it entirely over the internet, which was really new at that point. So, I would hire inspectors, appraisers. I would figure out what the value of a property was that a rehabber had brought to me to get funded. And I would say, okay, I'll fund you, you know, 80% of the value of property. And you can take that, you can put in the rest of yourself. Fix up the house, and I want my money back in six months. So, I charged a point and 15% interest, and got a balloon payment back in six months. So, in six months, I'd get seven and a half percent of my money back. And that worked really well. We supported, you know, my wife and I, over in France for a couple of years. Got my foot into the hard money lending area.

DH: Then 2008 came around, I spent a month trying to call them and not getting a hold of them. And when I did get a hold of them, they told me I wasn't going to get my money back. So they said, hey, I don't know if you've noticed from over in Europe, but the market is tanking. I'm underwater on multiple properties. You're not getting your money back. And I said, okay, well, what are we going to do about that? Are you going to deed me the house? And he said, no, I'm not going to deed you the house. So I said, what are you going to do? And he said, I'm going to drag you through court in Florida for the next 11 months. And it'll cost you around $11,000 to go through the Florida court system. Or you could just pay that to be in them, I'll sign the house over to you. And I went, okay, this is a great life lesson. Because oftentimes, I had done I think at that point five good deals with this person, and got my money back like clockwork each time. And it wasn't until times got hard that I realized the character that my particular partner had. So, it's interesting, character is revealed when times are hard. And that was a good life lesson to take away. What ended up happening is that I put the $11,000 into escrow. He put the deed into escrow and we swapped, and so I paid them off rather than going through the court system. And I ended up owning that house for another seven years and collecting rent on it.

TC: Wow. And so how many different loans did you have out at the time when the market tanked? I mean, you're talking about one individual, I guess, borrower that you had lended to who had a handful of houses with you. Did you have any others that had similar experiences?

DH: Nope. I was just doing one at a time at that point.

TC: Okay, got it. So you had one particular borrower at a time?

DH: One particular borrower. I was working with a couple of borrowers.

TC: Got it. So it wasn't a huge cascading sort of set of circumstances that was overwhelming, but you were able to foreclose on those houses, so to speak. And from there, you navigated that crisis, what else happened during 2008, 2009 kind of downturn for you?

DH: So yeah, even though I only paid about 80% LTV, you know, going into this house, so I thought I had a nicely leveraged and safe position. The Florida market then dropped 60%. So, the house went down in value by 60%. Meaning you know, I was 40% underwater. Luckily, I had no mortgage on the house. I owned it outright and in the clear, so I just sat tight and collected rent on it for the next seven years and waiting for the market to go back up to value. And at that point, I took a little bit of a break from real estate and said to myself, you know, I'm going to take a break for about a year. And after a bit of time that real estate bug just kept coming back, I really enjoyed real estate. And so I started listening to podcasts like yours, like the Best Ever Joe Fairless podcast and started thinking about getting into apartments. And I founded my company, Good Samaritan Capital. Actually, before I get to that, I did several limited partner investments in 2017, kind of got a hang of the business. One of my partners was out of Texas, I actually called them up and said, hey, is there anything I could do for your deal to help me get more experience with what you're doing? First of all, send me all your legal documents, I actually read through all the PPMs, read through the operating agreements. It takes a long time to do that but it's incredibly instructive. If you actually sit down and take the time to read it, you'll learn everything about the business, basically. Maybe not the bolts, hands-on execution, but you'll learn about how all the legal structures are put together which was incredibly educational.

TC: Yeah, I agree. I mean, it is funny, if you actually sit down there and read a hundred-page, you know, legal document, it is extremely illuminating to understand the flow of capital, the waterfalls, you know, what happens if bad things happen? And what are all those agreements look like? And ultimately, that's the foundation of the business. That is super interesting. So you got started really kind of in the larger multifamily space, the syndication space in 2017 as an LP investor, and after that, sort of a year break, you know, kind of dusting yourself off and saying, alright, well, time heal the wounds of what happened in Florida, obviously, you know, six, seven years of 60% valuation corrections. Obviously, we know where the market has gone since then. And obviously, fast-forwarding now to 2022. Obviously, things are changing and leading into 2023. Things are changing again, there's another market cycle on the horizon. I do want to get your thoughts on that. Before we get there. I mean, talk to me a little bit about Good Samaritan Capital, because I think it's interesting. Now that whole trajectory that you've taken, and now creating this company, tell me a little bit about that.

DH: Well, so when I did my limited partner investments, let me start with that, what I did for that company down in Texas, they gave me odd jobs that they didn't want to do. So, for instance, they said to me, we're hiring property managers, why don't you go research the top 10 property management firms in Houston. Give us a spreadsheet of the 15 people at each firm that you would want to hire and give us a one-line of reason why we should hire them and what strategies we should take to do it. So I spent time researching Houston, in incredible depth, came up with a spreadsheet of 150 people and sent it to them. I also helped them put in some zero landscape maintenance in one apartment down there and did a lot of coiling around for appliances that had nicks on the back that maybe had a great front, so that we can install them in apartment complexes.

DH: So I started doing pro bono work for a syndicator. And that's how I got to know them really well. And that's how they invited me to be a co-GP on my first deal. And so when I got my first deal, I decided, okay, I'm gonna make this real, I'm going to incorporate, it's going to be called at the time, I had a different name, now it's called Good Samaritan Capital, but it's the same business, I just like this name better, it actually embodies the ethic that I have better. So since then, I founded, at my day job, I now work at Intel Corporation, I founded the Real Estate Club at Intel. And we've had a guest speaker come in every single Friday since September of 2019. And we've grown that club to over a thousand Intel employees and I have hit my quarterly goals of closing on one apartment complex every quarter for the past four years. So, we now have under management or we've acquired 2643 units. We've actually had four of them go full cycles, and they're no longer under management. And we have properties in nine different states currently. So, it has grown to great portfolio.

TC: It truly is remarkable to be able to hit that goal every single quarter. Because that's not an easy thing to do, especially in a very competitive landscape, which has been extremely competitive over the past few years. And now of course, we've got a different set of circumstances now that we're dealing with and just rapidly changing capital market. But talk to me a little bit about sort of, if you were to look back and say well, what were are the core reasons why you're able to hit those goals? I mean, what was it that's really contributed towards that type of growth consistently?

DH: Yeah, networking with other investors, number one, and that is both GP investors and LP investors and giving value back to everyone. You are going to get back what you put out to the world. And so my strategy was to found, instead of being active on social media, which I'm not really, instead of, you know, writing constantly, you know, blogs and newsletters. 19:46 My strategy was to go in and form a real estate club and bring great education to a lot of people. And that's been extremely rewarding for me both on a personal front, I get notes from people inside Intel all the time saying Hey Daniel, I bought My first rental house because of your club, or I bought my first short-term rental, I participated in my first indication, I had one lady come up and say I bought my first seven rental houses, that was pretty cool. So anyway, I started something that's touching other people's lives, and it's touching my life too, because of it. And that's really the ethos of good samaritan capital, you have to go out and be effective, you have to touch people's lives, and you have to give your best always give value, and, you know, do right for your investors. And if you do that, then they'll stick with you.

TC: I totally agree. What you give you also receive, and I love the tagline of your company invest well to live and give abundantly. And when you shared sort of that success story, the first thing you went to was networking and providing value to others. And, you know, establishing a system towards doing that, what else would you say has contributed to that consistent substantial success in this business?

DH: Honestly, the being able to pick a goal and go after it no matter what I would say that, you know, the ethos behind the 75 Hard Program, if you're familiar with that, except for I only made it to day 44. So I'm going to be trying to get it in 2023. But that ethos of you get up and you perform, you work every single day towards your goal, and you're single-minded about it, that you treat it like a checklist. And so I have yearly goals, I have monthly goals, and I have weekly goals that I take on. And I try to hit them every single time. And not only not only just hitting the goal, but having the attitude of you know, when things go wrong, you don't let it get you down, you get back up and do it again.

DH: When the pandemic started in March 2020, we were under contract for an apartment in Florida. I had put $50,000 of earnest money in I think the team had put around $300,000 total, it was a big wasn't I think it was 160 units. I want to say I don't remember offhand. But the deal ended up not going through because of the dynamics that you saw at the beginning of the pandemic, you know, fear came into the market, the buyers brought their prices down saying, Hey, we can't offer you as much because we're uncertain about the future, the seller said, You know what, I don't have to sell anything to you, you know, so I'm going to keep my prices high. And there started to be a rift between the buyers and the sellers. It's a lot of the same dynamic that you're seeing now within the market. Because anytime that there's fear within the market and uncertainty, you can't predict the future as easily.

DH: The apartment business is all about creating predictable cash flow revenue. And so when that happens, the buyers say, okay, I need to increase my margin, because I'm not going to be able to hit with a certain amount of certainty my investors' targets and the sellers either need to come down in price or, or not sell or find people that are bidding stupidly high. And so, that's also what we're seeing right now. And in that particular case, we came down in price we renegotiated and then the seller finally ended up walking away. And that was unfortunate, we lost our earnest money in that deal, it was quite a blow. And we got up and did it again, we had our next property under crown contract by August, and that we actually just sold that one and give a 22.6% IRR return to our investors over the three-year time period. So it was a great deal. We got up and did it again.

TC: I just did a podcast on mental toughness. And I feel like that is so critical, especially in those type of moments when you just get absolutely gut punch. And it's like, man, you feel like you know, there's a psychological thing that we all have as human beings, it's like we feel like you know, the pain, so much more of when we lose something than the joy of when we gain something I think that self-awareness is is a critical factor. And when you feel that it's almost it's very challenging to continue on. But going back to that mentality of just that go after it no matter what sort of thought process that was the central theme. It almost feels like of saying, You know what, I'm still after this is still my goal. Is that fair to say, Daniel?

DH: Absolutely. You've got to keep your eye on the prize. And it has to be a decision, a mindset of no matter what happens, I'm going to hit my target. And mental toughness, go buy books on mental toughness. It is a great thing to learn to develop grit, to develop, you know, the positive attitude. One thing I noticed, I've been on various diets, I'm a little overweight. One thing I've noticed with dieting is that if I go into it with the attitude of, oh, I have to do this, I have to you know, stop eating so much. I have to eat the right things, this is going to be terrible. I will always fail. If you go into it thinking I'm gonna put this effort into it and really make this moment count. You'll do that once or twice. But if you go into it with the mindset of this is now my reality. You know, I eat this food every day and I enjoy doing it because it's good for my body. If you go into it with that mindset,

DH: I am a real estate investor. I go out and find properties every day. I bring great value to my investors. If you go into it with that attitude rather than than that I have to work really hard and put my nose to the grindstone. If you go into with the attitude for the long term, and with a joyful attitude, you are going to last for the long run, you will hit your goals and you won't burn out. You have to take breaks, but you won't have the yo-yo investing syndrome.

TC: Man, that is powerful advice. And thank you for that I actually go back to a book that I read a few years ago called “The Big Leap” by Gay Hendricks, and it comes down to your identity. And what he talks about in that book is really that, you know, if you're not aware of this, some of us may have an upper limit problem, once we reach an upper limit of what we believe ourselves to be, we then self regulate, and we self-sabotage back down. And once you have this awareness of these factors, and perhaps maybe this feeling of, hey, I'm not worthy of further success, or you know, because I had this story constructed when I was a child that I'm not loved. So I should not go further toward my dreams. It's really interesting to observe that own self-saboteur type of behavior. And once you recognize that you can break through it. And you can also it's like, everywhere you look, you see it, you see it within other people. And so that is a very, very powerful circumstance. And when you talk about what you just described, it comes down to your identity and forging this identity forward, being conscious about who it is that you want to create, I think that that is a critical thing to do, because we're surrounded with noise and information that says, hey, you can't or you shouldn't, or you should just be a consumer, you should just relax, you should just chill. And so I just think that that advice is so prudent and so powerful. So thank you for sharing that.

DH: I'd like to expand on that a little bit, too, because I think that building the mental image, you know, that breaks barriers is important. But knowing that you're going to have to do it again, and again, and again, and again, once you break your first mental barrier, you've got the next one lined up right behind it. Once you raise $100,000, you then have to go raise a million dollars, then you have to go raise $10 million. And once you have beat your first goal, the idea behind being an investor and being a good Samaritan investor is that you are improving yourself so that you can help others improve themselves. And that never ends. Once you break through your barrier, you've got to up-level your game and break to the next.

TC: I like that. And it comes down to resiliency, like my core belief is, hey, I'll figure it out. And no matter what I'm committed, I'm committed to the outcome, I'm committed to continuing to overcome challenges. That was a big realization. For me, it was like, you know, I feel like there were some early big challenges and hurdles that I was able to overcome. And it's like, oh, I did it, you know, I overcame them. So now I can just chill and relax. But then I get slapped in the face with the next challenge. And it's just we're just constantly figuring out new challenges, new problems, overcoming those problems. And so I thank you for reminding us of that as well as because look, if you've already overcome a few things, just know that has to be your core is that how am I going to overcome this? And yes, I'm defiantly committed to doing whatever it takes, like you said, in your words, no matter what. So, Daniel tell me a little bit about obviously, with that mentality in mind, talk to me a little bit about strategy as you continue to grow as you continue to navigate different market cycles. How is this look moving forward? I mean, what are you looking at today? What are you looking at in 2023 and beyond? I mean, what is your company, do you anticipate one acquisition every quarter still? Or what does that look like?

DH: We're not taking that goal in 2023. In 2022, we actually launched the flight to quality initiative for our investors. And we came out and said to all of our investors that we are going to buy quality products and make sure that we get long-term debt on them going forward. As times are becoming uncertain, it was very obvious, I think, the most investors long, long ago that inflation was getting out of control. In fact, that was one of the main reasons I founded my company way back in 2017, or 2018, was that spending was going out of control. And it was very obvious that the only way that it was going to be dealt with was through inflationary processes. And so that meant that over the long-term asset prices were going to rise and having debt on those asset prices. Of course, as interest rates go up, you're paying back your debt with dollars that are less valuable. And that's a core theme of good samaritan capital as you purchase flight to quality assets and assets that you can hold for a long period of time and see a great return on you know, in terms of cash flow in the meantime, but the big payday is really the appreciation that happens in the end due to your value add and your good management.

DH: So, what we're doing right now is the interest rates are obviously going up so we're being very choosy about what we pick. I'm starting to look more at apartment complexes. We've been looking at B-class apartment complexes only for over a year now, B-class because there are less problem with people being unable to pay, problems that you see in a lot of C-class apartments and A-class apartments we did have a thesis that some people from A-class apartments would move down to B-class apartments that really hasn't turned out to be true a lot of a class apartment renters. have stayed in A-class apartments, which is an interesting dynamic, but one dynamic you're seeing more is that since interest rates are going up, housing inventory is going up, I think we have around 1.2 million houses on the market here at the end of 2022, which is a whole lot more than were on the market in the beginning of 2022. At the beginning of 2022, we were down to under 300,000 houses on the market and nationwide.

DH: Now, why is that important to apartment investors? Well, renters are your customers. And if renters are buying homes, you know, they're when renters are buying homes, they're moving from being your customers to being homeowners. But when the opposite is true, when people are having difficulty affording homes, that means that the number of renters going into the market is going up. And so you have an interesting dynamic where the number of renters in the market are going up, but interest rates may be pulling the prices of the assets down. So what we see is in 2023-2024, we're going to have some turbulent times economically, everything that you should buy should have long-term debt on it that can ride that out. And we have a lot of inflationary forces. And we have a lot of demographic forces, such as the number of renters in the pool going up a number of migrants to the company to the country going up the number of people moving favorable locations changing. And so we're seeing a lot of favorable dynamics for renters, that I think in the long term are going to cause rental properties and apartment complexes to be great investments. And then inflation, of course, is the tail wind at your back, it causes you to pay back your loan with dollars that are cheaper, if you bought a loan in 1972. Those dollars, a $1 today was worth four cents then. If you had $100,000 in 1972 that you were paying back over time, over a 30 year mortgage time when that time expired, you would only be paying proximately 25% of the value of that mortgage. That is to say debt is your friend in high inflationary environments debt that brings cash flow and is your friend.

TC: Yeah, no doubt about it, man. And would you also say that that's a 96% reduction in the value of $1 over the past 50 years? Am I doing the math right in my head? That's amazing.

DH: You can go on to websites that follow the value of the dollar and chart it and it's pretty, pretty amazing.

TC: Hey, guys, I want to remind you to check out CF Capital. CF Capital is the premier boutique real estate investment firm in the Midwest and southeast region of the United States. We are a national real estate investment firm with a purpose. We provide property investment and asset management solutions to help passive investors maximize returns on high-value multifamily communities. But our investments go far beyond acquisitions, we invest in people. We are in the business of elevating communities and raising the bar for everyone within our ecosystem. CF Capital is a real estate investment firm focused on the acquisition and operation of multifamily assets. We confidently deliver tax-advantaged stable cash flow and capital appreciation with a margin of safety. By investing alongside our team, investors can preserve and grow their wealth without having to deal with tenants, termites, or toilets. Investors come and stay for the outsized returns we create in our deals while appreciating the ancillary opportunity to make a bigger impact that only CF Capital can provide. If you're an investor and want to invest with us, here's how to learn more about CF Capital at CFCapLLC.com or by simply clicking the link in the show notes of this episode. We will see you on the inside of this powerful community. So, let's elevate communities together.

TC: Daniel, let's get your crystal ball out. Because obviously, you know a lot of us can make predictions. And of course, none of us know exactly what's going to happen in the future market. In fact, I think that 2022 in many ways has been predictable. Of course, hindsight is 2020. However, in many regards, there's been a lot of surprising sets of circumstances that have occurred across the economy. And obviously, we're in a very complex global economic system. But talk to me about your projections moving forward for 2023, 2024, and beyond. I mean, you know, you get sort of the rent running the gamut there when you talk to different investors or economists will say, well, we may be looking at a mild recession, others may say we're looking at a severe depression. You know what, what's your take, Daniel?

DH: I have students that I mentor right now, I enjoy teaching. And I tell them that now is a great time to learn, it's going to be a difficult time to buy, there are going to be acquisitions that happen and people that get good deals, but they're going to be fewer and farther between. A lot of the good deals are gonna go to established players in the industry. And so right now, right now's a really good time to understand the fundamentals. It took me more than a solid year to really wrap my head around all the underwriting and asset management and due diligence. There's a lot to learn in this business. So, if you're interested in getting in this business, now is a great time to find somebody who's experienced and to go along with them. It's a great time to have a mentor looking over your shoulder I think 2023 and 2024 are going to be difficult economically, no doubt about it, inflation is up, interest rates are up, there are a lot of indicators within the economy that showed that the economy is to a certain extent the house of cards. And so while that is the case, we need to prepare ourselves with assets that have long-term debt. But I think in the long term, the American economy is still the greatest economy on Earth, asset prices are still going to go up, we have inflationary forces that are pushing them up, and housing will always be in demand. Jason Hartman, I think says it's the most time-tested investment ever. Housing has been around since people have been around. So it's not going anywhere.

TC: No, absolutely. What indicators are you paying close attention to? I mean, obviously, going back to your bond trading days, you know, 20 plus years ago to now obviously, you've got a realm of experience, you know, within the real estate investment landscape or outside of it. Obviously, they're all interconnected to a large degree. What indicators are you paying close attention to, as you sort of see and project things and kind of skate where the puck is going over the next couple of years?

DH: Sure, actually, in the apartment business, the most important indicators are the average median income in the area. So make sure that you're buying in areas where people can actually afford the prices that you want to charge. That's number one, really simple, right? Don't buy into an area that where the median income is $30,000, and try to charge people $36,000 of rent a year, it's not going to happen. So you need to know your demographic market well.

The other thing too, is the job diversification in your location. We were looking at a place down in Tallahassee, 156 units. And the thing that I really liked about it is that of the top 10 employers in the area, nine of them were either government health care, or education, which are all jobs that tend to do well, in a recession, none of them get cut for the most part in a recession. So they're recession resistant jobs. So you really want to look at the job diversification. I was also looking at another property this one was or was this it was in Memphis, it was in South West Memphis, and I started looking at the the numbers on this deal, it was a great deal looked great on paper. And then I started doing a little more due diligence on it. And I found out that 99% of the people in this apartment complex were all employed at a casino down the street. So there's no job diversification whatsoever. And if the laws in Memphis change, which is something I can't predict, suddenly the investment goes up in smoke. So, always look for predictability, diversification, and the ability for people to be able to afford the product that you're selling.

TC: Daniel, that's great stuff. Before we transition to the rapid-fire section of the podcast, I wanted to ask you this, because over the next couple years, as you mentioned, I think we're going to be going through some turbulent times, I would agree with you. Now those can certainly create tremendous opportunities. If you can remain calm under pressure, you can think clearly, you can continue to go through your process, you just mentioned due diligence, obviously being a part of your process, which obviously any investor needs to incorporate within their decision-making criteria. But talk to me about managing emotions during stress or turbulence, because I think that this is a superpower for investors. I mean, tell me a little bit about how do you do that yourself.

DH: You know, one thing that I noticed is, at least for me, my stress levels correspond a lot to my eating habits. This is a bad habit in my respect, when I get stressed, I eat worse. And I also noticed that it's a self-reinforcing cycle. If I eat worse, I feel worse and don't manage the stress as well. So hey, number one, eat well, whenever you eat well, you just feel better, it's easier to deal with emotions get the proper amount of sleep, this is not rocket science, but it really helps if you you treat your body well, you're going to be able to deal with your emotions and and your health a whole lot better. And drink plenty of water. That's a big one and cut down on the caffeine. as I drink my morning coffee every Lent, I give up caffeine for 40 days. And I always feel better. Always, always, always, I'm more clear thinking emotions are easier to control. That's the advice that I would give. That's just one part of it. In addition, you have to develop daily routines that will fortify you mentally, whether that's going on a walk and thinking through your day, which is meditation, in my opinion, whether it's prayer, whatever it is, if it's going through your checklist of your objectives, and just thinking clearly through how you're going to meet them, you have to take time to make sure that your plan is sustainable.

TC: Great advice. Daniel, thank you so much for that. And I loved just the simplicity of that just to give us the ability to course correct, you know, because, you know, many of us know that, but it's like, oh, yeah, that's right. Thank you. Thank you, Daniel. It's like, let's let's think about what we're eating. You know, how much sleep are we getting? Are we drinking water? What are our rituals look like? So let's check in with that. So thank you for that. That's a that's a call out for myself. And I'm sure many of the listeners. So just really, really appreciate that. Daniel, I want to transition to the rapid fire section of the podcast. It's called the Rare Air Questionnaire it is all about being uncommon. Instead of following the herd, we make decisions to be uncommon. And I think that's really been the theme of our conversation so far today. So Daniel, I'd love to ask you a few questions. One of which is If you were to point out two or three of the most impactful books that you've read over the past few years, what would those be and why?

DH: “Conscious Capitalism”, this is by John Mackey. He is the CEO of Whole Foods. This is a great book on how you create win-win situations for people in your business and how you have an attitude that your business is not just about business, but it's about changing people. The more you can change people and create winning situations for your employees, for your investors, for your suppliers, for your contractors, whoever it happens to be and the more you have an ethos of doing it with uplifting people, the better your business is going to be. “Conscious Capitalism” by John Mackey. That's a great book. “Grit” right here. “Grit” by Angela Duckworth. This is a great book, I highly recommend it to everybody. But you want to sit down and just think through how you're going to build your systems and how you're going to get to that point where you can keep doing it every single day. That's a great book. And then actually, I love Ray Dalio’s books for the macroeconomics, to be honest, but I've got the Changing World Order and Ray Dalio’s Principles up on my shelf up here. These are great books and really worth the read.

TC: I totally agree. I read the Changing World Order this past, you know, about six months ago or so. And I thought it was extremely insightful and illuminating, gave, you know gives a lot more context and the global economy and where we are sort of in the big grand scheme of things like the cycle of cycles, so to speak. So, a lot of good stuff there. But we'll put links in the show notes is where the listeners can find those books. Alright, sounds great. And otherwise, Daniel, I'd love to know, if you were to point to the biggest way that you elevate your life on a daily basis. What would that be?

DH: Being with my family? Yeah, yeah, just taking time in a busy schedule to always make sure you're with your family. And honestly, I've told my boss in the past that when I go home, and I'm with my family, that's when my real work begins. Because being with your family is fun, but it can also be extremely frustrating. Kids are more work that you can believe and they're more reward than you can imagine. But it's great to be there for them.

TC: I learned that in a big way. This year. We had twins last January. So they are Oh, congratulations. Oh, thank you very much. It's it has been an absolute whirlwind of a year. But to your point, man, it is endlessly rewarding. But it's also endlessly challenging. And you know, it's you don't you can't get one without the other. It's almost maybe a bit of a clue that if you want to go where we want to go, if we want to have that type of fulfillment, we've got to continue to go through challenge. Maybe I'm just making that up on the spot. But what do you think, Daniel?

DH: It's completely true. The more that you are challenged, the more you'll have highs and lows, and you need to build grit to get through it all. But being there for your family being there for your kids being there for your your significant other, your spouse.

TC: So, the Good Samaritan himself, what's the biggest way that you elevate others around you, Daniel?

DH: You know, the two ways. So I recently have been giving a lot to a ministry in Africa that does micro loans. That's been interesting. And this group has called acaid.org. And they help build sustainable farming practices for people in Africa. And they teach a lot of people in Africa to start their own small businesses. And they also do website web development training. So they're giving practical job skills to people in third world countries. And I really liked that, honestly, I want to develop that more as something that I get satisfaction from right now it's more of a this is a good cause. And I want to support them, but I'm not as emotionally invested in them as honestly, I am with my group at Intel, you know, we've got a thousand people at Intel, a thousand employees at Intel. And every Friday, we have a call, we usually get over 100 people on the call every Friday, we bring a guest speaker in. And those people that are there are there every week, and I get to talk to them and be with them and just hear from a great speaker. And it's extremely rewarding to be able to give financial education back to a lot of people. So I really enjoy being a teacher.

TC: That is amazing. And I know how much goes into that, especially every single week. So I truly want to acknowledge you for that. I think financial education is so imperative in today's world, and not enough people have it. So I definitely want to acknowledge you for that. I want to acknowledge you for continuing to do good through this business. And obviously continue to challenge yourself and share those clues with so many others. Daniel, this has been a phenomenal podcast, phenomenal conversation. I've really appreciated it. Is there any parting thoughts of words of wisdom that you'd like to share with Elevate nation today,

DH: If you're interested in being a real estate investor, this is like every other business out there if you want to be you know, if you want to learn a trade, you need to be an apprentice. And I would say go find somebody who's been out there who has done this before you and ride their coattails till you can stand up and have someone write on yours. That's the only way to get into this business. Let's be honest, you have to be with somebody who already knows what they're doing and already has the reputation in order to break into this industry. So go find people that are smarter than you and surround yourself with them.

TC: I completely agree and by the way, you will never arrive you know at the end of the day. You are always going to be learning you're always going to be growing. So continue to find those mentors no matter where you are on your journey, Daniel, heartland, thank you so much again for being on the podcast, my friend, tell the listeners where they can find you and learn more about what you do.

DH: Sure, I'm at Good Samaritan Capital. My email address is Daniel@GoodSamaritanCapital.com. Feel free to reach out and email me. I offer a couple of courses. I do a course in creating partnerships in real estate, which is just a basic, you know, course on how do I create an LLC? How do I bring partners in? How do I structure it if I want to do a short-term rental or cooperative farm or an apartment complex. And then I also have a course on underwriting that I teach as well. So you can find all of those at GoodSamaritanCapital.com.

TC: Fantastic, Daniel. Until next time, my friend. Thanks again for being on the podcast. Really appreciate it.

[END OF INTERVIEW]

TC: Thanks for talking with me, Elevate nation. Daniel Holmlund bringing in massive value today, of course. He is living his ethos. And I really enjoyed this episode. I hope you did as well. If you found as much value as I did, I want to encourage you to re-listen to this episode because there's really a lot of good stuff here. I thought his, not only his story was super interesting, you know, starting from the experience of his grandparents buying an apartment complex to retire and sort of learning through that experience that was not able to be truly passed down. But sort of the thought process was passed down, which is now sprouting into so many different opportunities for other investors through his own experience. But man, there's just so much to learn from what Daniel shared with us, not only from a mindset perspective, but from a strategy perspective and an analysis of investment perspective. I just really, really enjoyed that and I hope that you did as well. Obviously, if we're going to be entering turbulent times in the economy, which perhaps we already are, I think that today's episode is one of those that can be very, very helpful for you.

TC: So, I want to encourage you to have a discussion with a friend. Discuss what was it that you took away? What were your biggest distinctions? What were the takeaways that you had that were the ahas? Or even maybe the just reminders of like, oh, yeah, okay, I can manage my emotions better if I eat better, if I drink more water, if I get sleep, if I engage in healthy rituals, you know, those kinds of things. Or maybe it was like, you know, what, my grit needs to be up-leveled. So let me go read that book. Let me engage in things like 75 Hard, let me engage in this thought process of no matter what, I'm going to go after and achieve my goal. I'm going to pick my goal, and I'm going to go after it no matter what. There's so many different examples of takeaways that you may have had from today's episode. But what were yours? Have a discussion with someone else. And really, at the end of the day, of course, share this discussion with someone else. And at the end of the day, the most important piece is to take massive action. I want to encourage you to choose one thing to take massive action on whether it's right now, do it now. There's a huge power in doing something now or you may not have time to do that maybe you're on the way to work, maybe you're walking the dog, perhaps you can put that on the calendar, you know, that is an action step in itself. So you know, just a gentle reminder that taking massive action doesn't mean that you have to drop your responsibilities in the current moment. But there is this law of diminishing intent. So you want to take action immediately.
Until next time, Elevate nation, I just want to thank you so much for listening, and we will see you next time.

[OUTRO]

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