Ian Brown of Yield Coach

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, and many other investors for early stage and growth companies. I hope you enjoy this episode. Investor Connect is a 501 C three nonprofit dedicated to the education of investors and startups for fund raising. Please consider donating $100 to the program to help others in their investor and entrepreneur journey.

Speaker2: [00:00:44] Hello, this is Hall Martin with Investor Connect. Today we're here with Ian Brown, founder of Yield Coach. Yield Coach is a real estate thought leadership platform with both educational and investment concentrations. The goal is to expose their audience to the entrepreneurial side of real estate through educational offerings as well as future opportunities to invest with yield coach either actively or passively. Ian, thank you for joining us.

Speaker3: [00:01:06] It's wonderful to be on the show. Thank you all. I appreciate this.

Speaker2: [00:01:09] So where does this podcast find you today?

Speaker3: [00:01:11] I'm in sunny northeast Florida in the city of Jacksonville.

Speaker2: [00:01:15] Great. So we were talking the other day about creative financing, and I was really impressed with some of the things you had come up with for doing your deals and so forth. So many deals are just take it or leave it one and done and so forth, but thought you had a very interesting approach from it. But what do you currently find happening in the real estate space and how is creative financing coming to play?

Speaker3: [00:01:40] Certainly, and I have structured deals a little more atypically than a lot of other investors. A lot of that was born from just not having a lot of capital. You know, I wanted to do deals where I didn't have I didn't need to go necessarily partner with a big investor. I wanted to have a lot of control, stay small, bootstrap it. So that did limit some of my options, but it also forced me to be creative. A little bit of background. I'm a Florida attorney, broker and appraiser. I keep all those certifications. I don't use them every day, but I kind of fold those skill sets together as an investor. And so things that I would look for on the creative financing side. There's so many ways you can pull the levers of real estate. And I know your audience isn't all real estate. I'm essentially all real estate. So I can only speak to my concentration, but. A lot of what I've done is I know there's something that I can change immediately after purchase. Of course, if we can find something under value, that's just great. Just go buy it. But sometimes you need to change the asset in some way. So small example two months ago, just well depend on when this airs. I bought four units down by the ocean in Atlantic Beach.

Speaker3: [00:02:51] Their office units. They've always been office. No one ever looked at them for a different use. They don't have showers. Actually, the building never had hot water, just a cold water office building. I bought it and I'm converting it to Airbnb because the zoning allows it, but people didn't see that. So I'm going to be able to take per unit revenue of, call it $650 a month and get to probably 4000 a month with a modest renovation built out bathrooms that I'll refi, that I'm buying it 100% funded with private money from a physician in South Florida. And when I refi, I'll take I won't have any of my money left for the deal. So that would be a completely clean burr deal for those that haven't heard the buy rehab rent refi repeat. So I'll have recovered all my cash and it'll just be residual and a balance sheet play. That's one example. So that's privately funded. You can rehab it with credit lines from Home Depot, Lumber Liquidators, Lowe's. There's other credit vehicles. A lot of people have equity in their homes. If you couple hard or private money to purchase the asset and renovate with a lock, that's another way to where it doesn't. You don't feel the capital like you would if you just had to think, Oh, I need to save and do this real estate deal.

Speaker3: [00:04:02] Some other creative things you can do. I do carry a brokerage license. One thing I'll do is, let's say, just for argument's sake, 20% down is a common down payment for investment real estate. Yes, it varies maybe 65 to 90%, but it's call it 80. There I can write in 6% for a buyer's representation fee. Roll that right in. I signed a paper at closing to roll my commission and as equity represent myself, now I'm down to 14. I'm an attorney, so maybe I'll take a referral fee on the title. So maybe I take 20 and now I'm maybe down, down to 12 or 13. You can play with seller credits. That's just literally the seller picking up closing costs. On behalf of the buyer, I might be able to do a 20% down deal for 10% down, and I'm really not any more leveraged. I've just credited my fees over to bring less money to the table. So that's another example of creative finance by leveraging. Certificates and licenses. I can keep going on. Lease options are a good way to get into deals that you couldn't otherwise afford. Let's say you and I buy a building. We know we can improve it.

Speaker3: [00:05:08] It'd be hard to finance right now. Or let's just say we can't afford it right now, but we know it's let's say it's 40% vacant. It needs marketing, aerial photography, floorplans. It just needs a little bit of professionalism. And we can lease that up to 90 100%. We could do a master lease of the whole building. We could improve the cash flow really with not much money out of our pocket, then go to the bank. We've created equity by improving the property and then ideally we buy it with no money out of our pocket. You could do. I'll stop soon here. You could do a change of zoning or land use and do a longer contract where you create value. Really, when you say creative finance, you're really figuring out How do I pull equity out of thin air? Like you kind of know what the bank will give you. So it's the it's the 20%, give or take, that you're trying to play with. And the way that I've had success is changing zoning, changing land use, playing with credits, lease options, short term seller financing with a little bit down. So I'll take a breath for a second. But there's a lot of interesting ways to create equity in real estate actively.

Speaker2: [00:06:14] Well, sounds like you have a lot of tools in your toolbox there for reducing the out of pocket cash for some of the deals and shifting things into the equity side of it. What do you think is the major trend that you see in the real estate market today where people want to do that?

Speaker3: [00:06:28] Well, a trend that's just undeniable is just how fast rates are moving. And I just heard a podcast this morning, a real estate podcast. They're moving the fastest they've moved in 20 years as far as speed of change. So even by the time this episode airs, they're probably going be higher than I'm speaking right now. But they're moving so fast. You didn't have to be that swift footed from like 2010 to call it late 2019 pre-COVID. Yes, things were changing, but like glacially where now you better be listening to shows like this and really up to the moment information you could totally miss your mark. Or in my world, we run 5 to 10 year cash flows, discounted cash flow analysis. Well, you got to predict a cap rate, a discount rate, a terminal cap rate and interest rate. You got you got all these assumptions. They're harder to make today than ever. I mean, if you and I sat down with the best data we could get, it would still be hard to run a five year a five year cash flow on an income producing asset. So I'd say answer your question directly. That's that's the trend that everybody is watching is how fast things are changing, especially in capital markets.

Speaker2: [00:07:35] Well, then it's not like this is table stakes. You have to be doing these things in order to keep up. If you just stand still, the market's going to go way out of reach very quickly. So it seems like it's something that everybody should be doing at some point.

Speaker3: [00:07:48] It does. And as a corollary, you know, some people pulled back, right like right at the beginning of COVID kind of March 2020. And there were some really good deals right in that first six month window of high paranoia, investor anxiety. And I know some investors that got some great apartment assets because they were willing to charge forward when there was new uncertainty. So I'm not telling people to just go run off a cliff and try everything right now. But there there is some uncertainty in the market is really frothy in real estate. So some I've heard some really high quality investors talk about maybe not buying anything for for say six months. But the more people that think that it could create opportunity for somebody to slide in and grab a deal that the larger investor is waiting on in my market in Florida, I do I do not see a benefit to waiting from where I am.

Speaker2: [00:08:38] How far are you? What do you think the rates are going to run before they top out? How much more of this galloping do we think we're going to see before we get to where the Fed wants to go?

Speaker3: [00:08:49] That's a really tough question. I know when I'm looking at my deals, I usually need 12 to 18 months to buy a property, change it in a meaningful way, and then pull my money back out for a commercial deal. Like my 83 unit deal in Georgia, we've renovated out of cashflow. It's actually taken us three years. But let's say you and I buy an asset. We we get a bridge loan and we've got a refi. Once we've stabilized the asset, I would run that pro forma. I'd probably run it like at five and a half, 6%. How much further does it go? I don't know. But to be careful, I've been making sure my deals still work. If I have to refi as, say, six. When? Before, I felt pretty confident I could refi it. 375425. So I'm writing in, let's call it 200 basis points higher than maybe I was writing in just a year ago.

Speaker2: [00:09:41] Aside from the rate change, what's one thing that surprised you the most?

Speaker3: [00:09:47] I think it's a corollary to the rate change thing, but the biggest surprise I've had starting this year, 2022. It's got to go back to the speed of change because how fast lumber moves and interest rate moves. It's you just didn't have to be this quick a year or two ago. So I think the biggest trend in thing is just you really have to be try to be a black belt. If you're a if you're a white belt coming in and you want to invest. I would partner with a black belt. You know, if I didn't have my background and my track record, I wouldn't feel super confident doing my own deals. I'd probably give my money to a trusted advisor or operating partner. It's a tough time for the new investor. I think it's a good time to educate and be listening to podcasts and watching your YouTube videos however you want to take in information. But. That's the trend to watch is just the speed of change.

Speaker2: [00:10:38] It was the common myth about the market today that you would like to dispel.

Speaker3: [00:10:45] I think the thing that I would probably I'd probably dispel is that. I think some people look at the the seasoned investor, the guy who's been doing it for decades and and think he has all the answers. And I keep hitting on this whole speed of change thing. But real estate is not that complicated. You know, income expense, price of construction, cap rates, interest rates. I mean, I realize I'm an appraiser, but you can master these concepts in a few years. So I think that some people can fall asleep behind the wheel. And the myth to dispel is that because you've been doing something the same way or your competition has been doing something the same way for years and years and years that they're going to be able to outperform. I think it's the new, nimble, swift creative investor that might be able to show up and and really buck the system.

Speaker2: [00:11:32] Climate change is starting to come into some of these discussions I hear about repricing. Oceanfront property to price in the risk of climate change. What are you seeing there in Florida?

Speaker3: [00:11:46] I'm not saying it. The oceanfront oceanfront properties are selling at premiums I've never seen before. So now part of it could be willful ignorance. It's hard to say. If you have some if you have some big events and some big storms erode shorelines and have large buildings falling, that would change things. But for now, I am seeing cities on the municipal level and the permitting level. Call for more detail on like elevations, the way things drain drainage plans. So you may see buildings, you may see a building styles change a little bit. So you might see construction change. But I do think you're going to continue to see coastal premium pricing, at least in my market.

Speaker2: [00:12:28] Right. And what online information source do you find most helpful in your work?

Speaker3: [00:12:33] You know, I used to be a schoolteacher. I coach football track and taught high school right out of undergrad. And I, I have to sit in front of an educator. So I actually like watching podcasts. We're videoing right now, but most people will just listen to it. But I like watching people to catch gestures. I like physical networking events. It was hard for me during COVID to just get on Zoom calls and be virtual. Some people love it. I just have to like I have to involve myself. So I try to get with those that are doing what I want to do and just look over their shoulder and feel, let me listen in on their phone calls, go on their site visits, you know, meet with their lenders. I just let me jump in and be a part of your team. I'm not looking for compensation, so I learn a lot by watching others. And I think podcasts and YouTube videos are second, but still very, very helpful.

Speaker2: [00:13:21] Well, you have a good perspective there about what's going on in the business world and real estate, aside from the business you're in. If you could start a business tomorrow, what would that business be?

Speaker3: [00:13:31] It's kind of a tough question. Know, I carry a variety of licenses and I was thinking about that question before the show. Maybe maybe contracting like becoming a general contractor. It's not what I do now, but the question is, what would I do if I started a business I don't already have? I already had title brokerage, legal appraisal. So if I did something new, I think I would go construction because there's so much control. Like if I had a construction company right now and I can control all those costs, which is the largest cost in in development deals. I could really be dangerous. So I think that it's a hard license to get and there's a lot of liability, but I think I'd be drawn to possibly starting a construction company.

Speaker2: [00:14:11] But if you look back over the career you had in real estate, what's the most important lesson you've learned?

Speaker3: [00:14:18] You know, everyone says they should start or they should have started earlier. I would also say that. It took me a little bit of time, so I have a lot of degrees in licenses, but I never felt confident enough. And it wasn't until I helped enough clients do well in real estate, commercial real estate investments and make lots of money. And I just facilitated the whole deal. I find it. Here's your lender. I can lease it up. I can do it all, and then I'll sell it for you later. It took me some time to realize I was just helping others make their fortunes. I should. I should just have enough confidence in myself to go out and do it. And and so I'd say the takeaway lesson would be do what it takes to develop the real estate between your ears and and have the mindset and confidence to trust in your abilities. And because the world's only going to take you at your own appraisal. So dial up that self worth and go out there.

Speaker2: [00:15:08] That's great. One of the last minutes that we have here today, what else should we cover that we haven't?

Speaker3: [00:15:14] My platform is called yield coach, like a yield on an investment. It's a newer platform. It's about a year old. And we do have a podcast, yield coach podcast and a thought leadership, Instagram, Facebook. I'm excited about that. I started that because people came to me asking about investing in some of my projects. I've intentionally only done deals that I can do alone or with like one very trusted partner. So I'm going to buy time. The show airs through the end of 2022. I'm going to be offering some investments that would be syndications where somebody could come on as a limited partner and invest in a syndication. And it's really to just be able to bring more people into into the platform. I really couldn't do it by only doing my deals and all of my own deals. We would always target, you know, three X equity multiples or better. They're really, really juicy. But the market is tightening. It's harder to find those deals. But you heard my creative structures and approaches. I'm probably not going to be buying things that are sitting on LoopNet with 10,000 eyes on them, so I think we can still do it.

Speaker2: [00:16:16] It sounds like a good opportunity there. So how best for listeners to get back in touch with you?

Speaker3: [00:16:21] We're pretty active on Instagram. That would be yield coach on Instagram. You can also you can email me that's Ian Iron at Yield coach. We do put all of our podcasts on on YouTube, but my YouTube channel would just be the video podcast, but we're pretty responsive via email and Instagram DMS and we'd love to hear from people.

Speaker2: [00:16:40] Great. We'll include those in the show notes. Want to thank you for joining us today. I hope to have you back for a follow up soon.

Speaker3: [00:16:47] Thanks. I appreciate it.

Speaker1: [00:16:50] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect dot org. Paul Martin is the director of Investor Connect, which is a 500 1c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.