1108 - How To Keep More Of Your Land Profits

Hosted by*: Joe McCall*
Guests: *Ligia & Mike Deaton*

Joe: Welcome. This is the Real Estate Investing Mastery podcast. What's going on, guys, Joe McCall, Real Estate Investing Mastery podcast and the Joe McCall YouTube channel? How are you doing guys excited about this episode, huh? Listen, my favorite topic lately has been land investing. We I've been interviewing a lot of people talking about land investing, how they run their business. I've been doing land for about three or four years now, and just in the last few weeks, I've really been ramping it up again. My teenage sons, have you've heard me talk about this before, my teenage sons in the last couple of three years doing it very, very part time have done over 150 grand in profits, gross profits from these deals, and we're starting to now sell our vacant land on notes with owner financing. And so I put out a post a couple weeks ago saying, Hey, I'm looking for some cool people that do land in the would like to talk about it. And so we got some people on today that I just met and you're going to meet them for the first time. I do know they live in Colorado, the beautiful, awesome state of Colorado, and I'm just by coincidence wearing my Colorado hat that I bought a couple of weeks ago when I was in Vail. So we're going to introduce you to you guys here in a real cool couple that lives like way up in the mountains, like, I'm really jealous, 10000 feet. They probably got incredible views out their windows. We're going to talk about how they do land and how they take some of their profits and reinvest it into bigger properties that produce longer term cash flow. All right. So we'll talk about that in a second. I want to tell you, first of all, a couple of things here. A lot of you are watching this live right now on YouTube and Facebook, so I want to ask you to please tell us where you're from and type any questions in the chat and in the comments when you can type in chats or questions and comments or tell us where you are, just say, hi, we can show it on the screen, which is pretty cool. So if you have any questions about what we're doing. Type it in. Just say Hi, we love to hear from you and see how you're doing. And yeah, that's about all. I want to say this or anything else. Oh yeah, one thing real quick got to tell you about this. I just found a way yesterday. I think I'm testing it out. Big fan of prop stream, right? I just found out a way where you can pull a list of vacant land that has delinquent taxes in prop stream. And I'm showing this to another guy who's a Big Land investor and he was blown away. He's like, Oh my gosh, I did not know you could do that. So here's the deal. If you've got a prop stream Joe Dot, sign up for prop stream. You get a 14 day trial. I think seven or 14 day trials like that and then shoot me an email. I will send you a video on how to do it. Go to prop stream Joe dot com. Sign up for prop stream. It's an amazing resource. This amazing tool, a lot of controversy lately about it. Like they lost my access and all that. I don't think it's that important. I don't think. I didn't think they had good mass data to begin with, right? I didn't like MLS data on prop stream, but you can get great vacant land lists from them. And now you can also filter in vacant land that has delinquent taxes, which is if you know anything about land has been a hard thing to get in the past. Now, it's much easier to do that. All right, so go to Prop Stream Jio.com. This podcast in this YouTube video is brought to you by Prop Stream Joe dot com. Go

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check it out. Good. We got some comments. Look at this here. We got Edmond from Dania, Florida. Tom Ascena. Hi, how are you doing? And oh, here we go. The silent Seawolf Mack from South Colorado. That's cool. And I can't pronounce Abdoulaye. Hey man, how you doing? Texas. Really? That's cool. All right. Of course we bring on Mike and Ligia. I messed it up. I knew it didn't. How are you guys? Great, man. Ligia. How do you say it again?

Mike: Just let it roll off the tongue, Ligia.

Joe: Ligia. Oh, thank you. Sorry about that.

Mike: No worries. Happens all the time.

Joe: Yeah. All right. Mike and Ligia, how are you guys?

Mike: Man, we're doing great. Like you mentioned, we're up here in the mountains of Colorado. We have funded our lifestyle with land investing, so it's a topic near and dear to our heart. We love it. It it's allowed us to kind of reinvent our lives here for the last five years or so.

Joe: So, so have you been in Colorado? Five years?

Mike: Almost five years, yeah. So we 2016, we both got ejected from the corporate world for various reasons, and we took that opportunity to just chart a new course. And land investing was fundamental to that. So we we kind of got introduced to it and we thought it was crazy and we stuck with it over the last five years. And it's it's afforded us just a tremendous lifestyle. So you couldn't ask for better.

Joe: All right. So that was what, six years ago now, right?

Mike: Yeah. Coming up on six years, it was summer of 2016, so we're coming

Joe: Super cool. That's about when I got interested in it. But I've never taken it full time. Serious, always been part, part time dabbling into it. But I'm getting ready personally for myself to hire now, somebody full time to do my acquisitions. Nice and excited about it. You know, I've got I've had Vas that have helped me over the years do it. But it's one thing to have a VA kind of help with the data admin stuff. But to get someone full time dedicated us-based, I'm taking that big, big leap. I'm excited about it.

Mike: It is. Yeah, that's a. To excited for him, that's a great milestone.

Joe: Cool. OK, guys, talk about how did you find out about land?

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Mike: Well, so podcasting, really, you know, I kind of in those early days of 2016, we revisited Robert Kiyosaki and we were looking at what type of cash flowing businesses could we get into more as a side hustle? And in fact, I was listening to a podcast called The Side Hustle Nation or The Side Hustle Show, and it's all about side hustles. And I heard two separate podcasts about guys that were doing land investing and, you know, doing well at it. Yeah. And it had, you know, they mentioned, I believe they both mentioned that they had gone through the Land Geek Market also. And so I signed up for his. He had a toolkit that you could buy at the time, just kind of an intro to land investing. And you know, at the time I was a full time employee. Ledger was full time. We did nothing with that. I just went on the one on the desk and started collecting dust. And then when we found ourselves out of work and looking for an alternative, it was right there. And so we just decided to to go all in and give it a set amount of time and see if we could make it work.

Joe: What were you doing before if you don't mind your time?

Mike: So my career has really been in Big Tech, right out of college. I started working with Motorola in electronics manufacturing. I transitioned into Nokia when Nokia was like king of the mobile phone world. I remember. And then that's actually how a legend I met. I took a job overseas to start a factory in Romania, which is where Ligia is from, and she was. She was also working for Nokia in a different division there. And yeah, we met and fell in love and moved back, and then Microsoft bought the handset division and Nokia. So I was in Microsoft for about five years running supply chain. And you know, it was just a grind. It was travel almost every week. It was 80 hour weeks. You're always on call. You know, what have you done for me lately? Kind of a thing. And and so when you know, when an opportunity came to leave, it was even, you know, a little bit of a of a package. I jumped on it and then I was in that moment thinking about going back into the corporate world into, you know, had opportunities with Amazon, with Apple, with Tesla and my stomach. Just, you know, my heart wasn't in it. I had my stomach was, you know, not really. Yeah, yeah. So yeah, so we jumped into land and that's kind of my back story. I don't know, you

Ligia After I moved here to the U.S., I worked. I started working for a health care company in recruiting department. And I think six months before Mike was got the opportunity to to to get out my the office closed in in Plano, Texas, and they moved it to Arkansas. So I also found myself without a job, and I think we both revisited a little bit our why and what we wanted to do and decided that we will not go back to corporate America for a while and just try something else.

Joe: Yeah, you know, what's interesting is I've met so many people who kind of like land investing, who do it come from a technical engineering background, and you found that to be true yourself as well, because something about land investing is definitely more systematic, more technical. You can rely on software to help you do things. You know, what I'm saying is. Have you found that to be true? Yeah.

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Mike: I have encountered a lot of people from I.T. software backgrounds, different things that it is, you know, I think for it to run well, like almost any business, if you have a good laid out process and rely on some, some good tools to help leverage, then it's so much easier to scale up.

Joe: Okay, nice. So I can imagine both of you doing well. Well, in business, you had a pretty good corporate salary that you needed to replace. Am I right? Yes. OK. You don't have to tell us how much, but I'm, you know, is that how it was that hanging in the back of your head? Like, Oh my, how are we going to replace our income and our living standard of living, doing real estate? And you know what was going on then? Yeah.

Mike: So like, like you mentioned, we we both started looking for jobs and just that process is grueling and the thought of either having to relocate somewhere or start a new company culture or just, you know, the unknown of jumping into a different company. And the associated work that goes along with it was just, you know, it wasn't sitting well. And so we took that moment to really like, like you said, think about our why and what do we want out of life? And you know, what do we really need? Like, we had a nice home in Plano with a pool and two cars and all that stuff, and we sold it like, we just said, let's sell and we have some money in the bank retirement accounts. And we moved to Colorado, which wasn't a cheap move, but we downsized, you know, I mean, we we rented for a few years until we could see if we could get our feet underneath us enough to to make it go. So, you know, part of part of that was really just reassessing what do we need out of life? I have two daughters from. A previous marriage that are adults now, and they were entering college at the time, and so, you know, I had a nest egg set aside to make sure that they could do what they wanted to do and that partnership between us and the realization that we could survive on a lot less and be happier, by the way, and the fact that, you know, we were free to fail, we just kind of gave ourselves permission to go in and what's the worst that could happen? And it didn't work. And we have to get jobs. I mean, we were going to get jobs anyway, so it really wasn't the end of the world in it. It had the allure of, you know, a great lifestyle. And so we actually like each other pretty much.

Joe: Most of the time.

Mike: We work well together. We have a good way of working, so doing business with each other as partners. That worked out as well. Nicely. So yeah, I mean, it was just. But we also kind of gave ourselves a certain amount of time. We said, Let's give this a year and see if it worked. We we got mentors and coaches and, you know, listen to resources like you're doing here, people that are given tips and insights. And you know, it's land investing is amazing because your cost to enter is pretty low, right? I mean, you're buying properties that aren't necessarily I mean, OK, maybe there's a few thousand dollars. We've bought properties that are tens of thousands of dollars, but those are exceptions. And so, you know, the risk is pretty low and you can enter the market. I mean, you can buy properties for hundreds of dollars. We've had properties given to us for free. So you know, there's a lot of opportunity in land, but it does take. Well, I'm not going to say that it took us money to make the money, but because we were, we were using our

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own money. Now there are other ways to do it right. You can you can arbitrage, you can get loans. I mean, if you take a loan out for single digits, you're making double or triple digits on that. So I mean, the spread there is good. There are other ways to do it. We chose to use our own capital and go into it. And so it wasn't, you know, it took money for us to make money and we had that runway, thankfully to be able to do that. But there's other ways to do it. Totally.

Joe: Yeah. OK, so what did you guys? What kind of strategy did you try to cling to or did you follow? Was it wholesaling, just flipping for fast cash? Or were you trying to sell on notes to collect the cash flow?

Mike: We started out, we didn't really have, so our our strategy was probably 90 percent notes and whatever cash sales came in, we weren't marketing as cash sales. We were marketing is as either in the early days and our we put together a business plan and we said we need to make $10000 a month, whatever, right? And so to do that, we kind of backwards engineered. What does that take? How many pieces of land would that be? How many mailers do we need to send out in order to get those properties? And you know, or when we were going through some coaching, there was a rough math in that, you know, the market is going to really determine largely if somebody wants to pay cash or if they want to go on a note. And so we just use roughly that, you know, 90 10 split that we were probably going to get a few cash sales to fund those things. And so that that was our starting out strategy and we largely kind of follow the same path we have considered in the last year, starting a separate wholesaling business where we're maybe buying and wholesaling just to get cash infusions. But we haven't really enacted on that yet. We're still kind of just into end running the process. We, we we we run the full supply chain, if you will, right? So we're we're approaching owners, buying the properties and then marketing and selling them and

Joe: OK.

Mike: And we're managing our own notes. If it's a note and if somebody wants to pay cash, great.

Joe: Now, what how long did it take you approximately to reach a point where you were replacing your corporate income?

Mike: Well, you know, I would say only in recent years have we really replaced what we were making. Like I mentioned, we downsized and we needed less. So I mean, we needed less to live. I mean, our corporate salary, we weren't spending everything. We weren't paycheck to paycheck. So that was, you know, money going into savings and investments and things like that. But within that first year, I would say we. Our target was to get the black and not be taking out of savings. And so, you know, that was our first hurdle. And then it was OK. Now let's really ratchet this up and reinvest into the into the business end just like you're doing right, you hire some Vas or a support person or invest in better tools and things like that. And that's, you know, that's really, really start to see the lift is when you can start to put money back into your business. You know, in that way.

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Joe: All right. So talk about the first year that you did this. You know, how many deals were you averaging a year a month? And then did you were you able to get out? You get into the black within that first year?

Mike: Yeah, by the end of the first year, for sure, we got into the black, our process. We struggled, you know, we we started and we we were living in Plano when we started. And so we thought, OK, well, let's invest close to home. And so we started mailing in counties around north eastern Texas. And you know, we had some messages we got into some markets where there were ways and or ways and they were, you know, we got into wine and we started getting a lot of response rate. So we were super excited. But they didn't come to find out they have back taxes and they have back loans. And so, you know, by the time you bailed people out of that, you were kind of upside down. And so.

Joe: You're talking about homeowners association dues.

Mike: Yeah, places that had, you know, we advertise, we buy your property, pay some taxes within reason. But you know, these people had just mountains of stuff. And so, you know, we found some we tried some counties and we had some bad luck and then we went into West Texas. And then, you know, it took us a while to find a market that really clicked. And then, you know, that was about six months, I would say, you know, we ended up buying our first property. Quickly, we found some properties and we invested. But then, you know, for us to make that first sale, it just, gosh, it was. It was a grind. I think back in those days, you know, Craigslist was kind of the the be all end, all of marketing, and we were not having any luck. And you know, we we. But we finally got that first sale. And, you know, after that, just things really started clicking along. And I don't know what that is, but you know, for us, it came down to really being in the right county where we had a. You know, there was enough turnover that you could buy and sell properties fluidly.

Joe: So instead of just trying to pick counties around where you lived, you started looking to see, well, where was the demand? Where were people buying exactly?

Mike: Yeah. We started doing a little more research about, you know, where our properties being marketed, where do they seem to be moving? And, you know, once once that formula clicked, then you know, the business started clicking.

Joe: And now here's the thing to do because I've always struggled with HCA properties, I've sold them all, made money with them in properties that are in no way right, but like, it's always been a struggle. I've heard some investors say if it's in a way, they just ignore it. But then what do you guys stand on that?

Mike: I don't mind. Honestly, I don't want to over leverage, right? Because you can you can really bleed out money if you're not selling them quickly. We we buy properties in counties or subdivisions where there are

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homeowners associations. I don't have an issue with it. There's definitely a polarity in the market, right? There are people that will not touch. And I'm talking in terms of buyers, right? There are buyers that they don't want anything to do with any joy. And then there's buyers that love them. You know, they they love, especially we do a lot of our land business here in Colorado. And so in some of these areas, it's nice if somebody is actually going to plow your roads or maintain, you know, trash pickup every so often or do things like that. And so there's a there's a buying pool out there. But yeah, you definitely don't want to get burdened with with too many so that you're just, you know, spend a lot of money and always buy.

Ligia And if I may add, I think in the beginning we were reluctant to buy in any way. Now, being in this business for four years, coming up to five, we're more relaxed and where we would be confident to purchase properties in that way. Yeah, because we are more experienced and we talk to people and we know there's a buyer out there

Mike: for sure, but it can't eat into your profit margin, you know, if you have to sit on something for too long.

Joe: OK. Just so people who don't know when we're talking about buying vacant land, we're talking about buying vacant land for 25 30 cents on the dollar and selling it if we're selling it for cash. I usually try to sell it at 60 75 cents on the dollar, sometimes more with it in the last year or two with this crazy market. But when we're selling it on owner financing, we typically try to push the limits of what property is worth. If it's worth 50 grand, I'll try to sell it for 50 grand, don't owner financing. So it's a great model. I love it because there's lot less competition than houses, and I get a much cheaper cost per lead when it comes to the market with with vacant land. So let me ask you guys, what are some of your favorite ways to find motivated sellers of vacant land?

Mike: Well, the easiest and most direct way is we just kind of mail in to the tax base of a county. Are you talking a little bit about delinquent or, you know, delinquent lists and things like that? We we we have dabbled in that as well. We largely will just mail through a county or a subdivision within a county. But you know, once you've done that, then you know, it really helps to know that market a little more deeply. And so neighbors are great sources, you know, neighbor letters sending out to surrounding properties. You can usually start a conversation with people. We have a lot of referrals, actually. You know, once you once you get into it, then both on the buying and selling side. We have since we started, really put a lot of stock in running our business very professionally. And so we get that feedback. From a lot of people that if somebody if somebody responds to your offer, I can't tell you how many times we have people say, you know, I've requested to sell my property to so many other people and they just don't respond or, you know, I haven't heard anything. And same on the on the on the sales side, when we have clients reach out to us, we try to be very we try to respond very promptly professionally. We we work with people, you know, if they have a tricky land situation, they've got multiple people on a deed or somebody passed away and somebody doesn't know how to how to figure out what the county took to get things. You know, we'll

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we'll try to provide that level of service as some value at that we can do to to get things. So, you know, a lot of a lot of times we find great motivated sellers in that way that they're looking for a way to to get some money out of their property, but they don't know how to do something. And, you know, short of providing legal advice or something, we'll we'll reach out and do their work. We'll call the county. We'll figure out what needs to be done within limits, of course, but it certainly it helps pull those motivated sellers

Ligia Right and other ways to reach out to owners that have multiple properties in a county. Sometimes we find that they are very motivated to just sell as well.

Joe: So you're doing a lot of direct mail. Is that your main source for leads?

Mike: Yeah, that's our consistent go to.

Joe: And what kind of letters or postcards do you like to send?

Mike: You know, we send a four page letter. We introduced ourselves a little bit. We make an offer in that letter and then we provide them a few ways to get back in touch with us. And just just kind of that way. So we like doing an actual offer and sending it out directly to people.

Ligia We have a picture of us and the offer letter. So I think that we had a couple of feedbacks from potential sellers. They said, you know, it just comes across more personal. And we found that that works.

Joe: Nice. I've been thinking about testing range offers lately. Have that. Is that something you've ever tried to do? Range, like I might say, instead of buying your property for this? I'll put a range in there. Have you ever tried that?

Mike: We haven't done that, but that's an interesting concept. You know, we usually put an offer in and then, you know, once we do a little due diligence, we'll come back and either negotiate down or whatever based off of that. But yeah, that's a that's an interesting it's an interesting idea.

Joe: All right. So you're doing a lot of direct mail about how much mail do you send a month?

Mike: Oh gosh, it varies from we have kind of been up and down. We we bought 18 months ago, we started another business focused in on multifamily investing. And so like our attention span goes back and forth and this is where this is, where we don't have robust enough systems in place to have the business run consistently without us. But you know, anywhere from a few hundred two thousand, you know, we'll we'll send out if we if we start in a new county, a lot of times we try to hit it hard and go in, but not so hard that like, you want that feedback. A lot of times you send out some offers, and if you hear crickets from the marketplace, you want to be able to adjust. And so I don't necessarily want to go out and send all 10000

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letters. And then I've found out that I made a mistake and spent five thousand bucks and mailing costs or whatever.

Ligia So we try to keep it this for 400 500 mailers a month.

Joe: OK, that's not much at all. It's pretty easy. Yeah. So are there certain area that areas of the country that you like to focus on?

Mike: Well, yes, there are. I mean, so like I said, we we kind of started in the Texas market. So a lot of those counties, we found a lot of the land rich counties like meaning there's a lot of lands. Some of them were very how to say archaic in their processes, right? They don't have electronic systems. You have to mail in a deed. It just was really kind of made it tough to work in those markets. We love the mountains of Colorado, and so we love like pine trees, forested areas. I mean, that's what we gravitate towards. It's very easy for us to sell those properties because we're passionate about them. It's hard to sell West Texas dirt for us, you know, I mean, it's but there's a market right there. Some people that love it, there's very, very little regulations on to do some things. So there's a market there, but mostly in the southwest is where we focused Arizona, New Mexico, Texas, a lot in Colorado. But we've thought about the Southeast. We haven't really explored it too much.

Joe: I've heard of people complaining about Colorado because it's so competitive. Is that what you see?

Mike: It has gotten very competitive. Yes. Yeah. We've noticed our response rates go down and prices go up. So it's it's definitely getting competitive. I will say

Joe: this, though. I'll take the competition for land in Colorado any day compared that to the competition for houses.

Mike: Yeah, right.

Joe: Oh yeah. I mean, what's what people are complaining about is getting maybe a two percent response rate in Colorado instead of zero point two percent response rate.

Mike: Yeah, that's so true. Yes.

Joe: So yeah, that's that's kind of all right. So how many vacant lots do you guys own right now that you have producing income for you?

Mike: Oh gosh. We have close to 70, I think. I don't know. That are under notes right now.

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Joe: Yeah. Tony, yeah, nice. All right, and then approximately what are you guys making an on monthly revenue on those notes? You can, if you want to be vague, kind of nervous about asking.

Mike: You know, I mean, our average note is 200, 250 bucks around there. So I mean, we have a good 20 25 K coming in from from notes properties outside of any cash sales and things like that.

Joe: So it's that is amazing. Yeah, that is that is really, really good.

Mike: Yeah, I mean, it hasn't been overnight. We've just been very consistent and steady in our in our progress. And, you know, we're five years into this. And so as a result, something that's very front and center on our radar, we are coming up to a lot of properties that will be going through their cycle, right? So a lot of our contracts are going to end because most of ours are on like a five year term. It's kind of how we've we've priced out a lot of our stuff, so we have an urgency to get, get the replacement cycle going and kind of get back in in accelerating.

Joe: Well I know one way you can do that send more than 500 postcards letters a month.

Mike: Well, that's right

Joe: It can be 500 a week.

Mike: Yeah, for sure. And we have done that. We started out the year very heavy in our mailing and we'll continue that till we I mean, we have some cash in the bank and we're ready to buy some properties.

Joe: So that's one thing I want to ask you about that is getting the cash to buy these deals and how you kind of navigated that. But first, I wanted to ask you about your team. Do you have virtual assistants or anybody helping you or is it just you two?

Mike: You know, it's mostly us. We definitely have. We rely on a on a team to help, but it fluctuates a lot. And and this is this has been tricky and I think we've done it several different ways. And so, you know, Vas are nice because you can pay transactional type pricing, but they're not. In our experience, you know what? It's hard to find a really good VA, but then it's hard to keep a really good VA. And so they're the replacement cycle is tough. We don't, you know, finding I love the fact that that your son is getting involved in the business. My daughters, both we have tried, but they're just not they're not really in it. So yeah, we go up and down. We've also I know there's a few places or a few times in our career where there's been people that have a special TV service where it's they have land geared VAS. That's OK as well. That works. But yeah, I mean, largely we're I mean, we love what we love, what we do, and we have a little bit of time. And so, you know, when we can, we we will do that. I like to craft the offer letter. I like to do research in counties and understand what's what's flowing and what's not. There's more mundane aspects

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of the business that are kind of easy to farm out, but there's also automation. You know, there's a lot of products out there that will help you run your business so that you don't necessarily need a person to do certain things. But yeah, that's you know, at the moment, we have just a couple of transactional people that, you know, we work when we accelerate or need to do things. But when it comes to buying and selling, we usually reach out directly to people. And, you know, I like to talk to them and yeah.

Joe: All right. Let me ask you guys about the cash to close your deals, because if somebody is trying to build a portfolio of notes, obviously it takes cash to buy these deals. And some people just don't have it. But what did you guys do to start buying? Were you just taking money from savings? Were you borrowing money from private lenders or what? What were you guys doing?

Mike: Yeah, we we started with our own, so we we had some money and we we created a we created our LLC and we funded it with a nest egg of of money up front. And we just said, this is going to be our money to start the business. And then, you know, once we. And so we back then, especially even now, we still try to price out our our buying and selling such that we recoup our investment in less than a year. Yeah, right. So combination of down payments and monthly payments, you know, we ideally in nine or 10 months, will get our our investment back. And so, you know, once you start building on that, then we started putting in a certain percentage of our profits back into the business to go specifically for land acquisition. OK. So we put the overhead in. This business is really low where it can be, you know, so it's not like you're really spending a whole lot, a lot of the money that comes in as profit. So you're able to just fund that back in nice. But yeah, for us, it was it was really about that. We have we have recently leveraged debt to to purchase properties, right? So I mean, the terms you can get a three percent interest loan are, you know, somewhere around there and a lot of cases. And so if you're making. Twenty to a thousand percent return on your investment, then you can cover the cost of of a pretty hefty loan.

Joe: So you're getting bank financing, is that right?

Mike: We have, yeah. Yeah, we've got to make financing here recently.

Joe: So is that it more of a commercial business type of a loan then?

Mike: Yeah, exactly.

Joe: So you're not borrowing money on a particular piece of land?

Mike: No, we haven't used any collateral like that. It's just, you know, now that we're we've been in business for five years or so, we can we can get funds against our business and our history. That's lately. What we've done is we also, you know, I mean, we have a policy. We I hate our I understand the concept of leverage and I embrace the concept of leverage, but I just do not want to get overleveraged. So, you know,

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there's a lot of people that I know and have heard of that have been wiped out by just, you know, our times coming.

Joe: So I totally know what you're talking about. I was there in myself in 2008 eight.

Mike: I hear it all the time.

Joe: No. Yeah, I never heard anybody say I went into foreclosure or bankruptcy, who was debt free when the market crashed, right? Right. You don't go into foreclosure and bankruptcy and financial ruin when you have very little debt.

Mike: It's true. I mean, I totally believe that there's a balance there and it's it's somewhat individual, but there is I mean, leverage is a is a great way to do exactly that to leverage this debt to scale your business. But yeah, it's you know, and we're entering, I think, a peak in the in the in the real estate market, right? So it's we're due we're overdue for the for the normal cycle. And there's a lot of money being injected into it and in the commercial or the residential space. And so it's a time to be, I wouldn't say scared, but it's definitely time to be cautious. And I haven't ever heard of anybody getting going out of business in the land business, but certainly in the residential side of things, people, a lot of people got hurt.

Joe: Yeah, okay. So have you ever used somebody to help fund your deals for you? There's a lot of different guys or companies out there that for vacant land investors specifically who will lend money or partner on deals with students. Have you ever tried doing that?

Mike: We haven't personally done it. I know some people that did enter into partnerships in that way. I would be, I have, I guess, some curiosity about how that works, both from a legal perspective as well as from like a securities exchange. You know, I think you would have to almost join into a JV or some kind of a partnership. But yeah, I know, I know people that do. It is a great way. I mean, you can there's a lot of profits to be made in this business, and you can certainly divide them up and still make a really good money. Right. So you got somebody willing to put in sweat equity and somebody willing to put an equity, and it's a great match.

Joe: Mm hmm. Yeah. All right. Can we talk about some of the tools you guys use? And I want to talk about how you and reinvest reinvest some of this money into multifamily and why you're doing that? So what are you? What are some of your favorite tools? Oh gosh.

Mike: So we we use Podio a lot. Really, it's very customizable and interfaces with a lot of other, you know, whether you like to use Microsoft Suite or Google or whatever, I mean, you can plug it into all those. You can customize a lot of things. So we do a lot of our, let's say, our offer letters as well as our CRM or customer relationship management type where we keep contacts and responses and different things

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where we're able to track our metrics. And so I would say Podio is kind of our engine that we use for that. We largely have used a system called Geek Pay for our note management, but we also use other I mean, we try to diversify a little bit. I don't like to have all my notes in one basket, so to speak. And so we we spread that out a little bit just in case something happens. I've heard of people like Stripe or other, you know, they they sometimes will shut people down just because they don't like the the owner financing model of real estate. So those are probably two, I don't know. Can you think of a quick email? Yeah, that's our we email through click email. Currently, we have for a long time I've thought about I know there are other competitors out there just haven't pulled the trigger on it. You know, some things are just from a time and a cost to transition. We haven't really explored that too much. But yeah, that's definitely our mailer source.

Ligia And also Pipedrive, that helps us keep organized. I know there's another this fall, our boss, we haven't tried to follow our boss, but it works. Pipedrive just works for us very well.

Joe: So what are what do you do in your business with Pipedrive?

Mike: Well, it's also some good, some sales management just you can set up a workflow for for when you know, somebody reaches out and. Surely, if you know, a lot of times if we don't have a piece of property available for them, right, then then we can collect information about what are you looking for or what your price point, when would you buy those kind of things? And so, you know, you can record on the sale side, we use a lot of customer relationship management in that or.

Joe: I'm surprised you don't use Podio for that. Why? Because this is something I've been I've wrestled with, too. I love Podio know a little bit about Pipedrive, but you can do 99 percent of the entire trade.

Mike: It's just yes, you can. It's just a question of setting it up and doing it. And we just haven't built out that side of our workflow in in Podio. So Pipedrive was kind of a I would say it's a little more user friendly. You know, they they do a lot of the plug and play and all of that versus Podio, a bit more software focused where, you know, you can have to set things up. But just we started that way and we kind of had the front end side of our business already and Podio and then we just haven't pulled the sales side and am,

Joe: OK, yeah, that makes sense. If you had to pick between one or the other and only use one that you use Pipedrive or Podio.

Mike: Well, I'll probably use Podio just because it's I think it's a lot more flexible, right? Pipedrive. I mean, you have to pay for certain levels of of service and configurations and customizations. And I would say the more complicated side of our business is already in Podio, so it would be a harder thing to reconfigure.

Joe: What are you guys using for phones, getting phone calls, sending making phone calls?

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Mike: We have a. So we have a Google Number that we use that, you know, you can set up a voicemail that rings through to your mobile phone. They'll transcribe your messages. So you know, we get an email when somebody calls in and you can decide if it's a hate mail or if it's, you know, somebody serious. So we use a lot of that. I try not to use my cell phone. We don't have a business cell phone. I mean, that would be one way to go to be set up a separate number. But a lot of our clients have our mobile numbers. So if somebody bought a property from us or done something, then for sure we will connect via cell phones. But yeah, just having a real easy Google Number and we've had it since we started.

Joe: OK, I love it. I love how you've been slowly and steadily building your portfolio. And it's not a quick sprint either, is it? You know, it's it's a it's a long run. It's not.

Mike: It can be. I know people who have very quickly made a lot of money, right? They've they've focused on one area and they wholesalers, right? They they find a way or find a person that has a crap ton of land and and then they're able to kind of quickly turn it for cash. But yeah, I mean, I think that most of the successful people that we know and that we interact with have have just been very steady progress month over month.

Joe: Nice. I see here some people are asking about default rates on your vacant land notes, right? Do you have a good track that how many people what percentage of your notes default? Do you have to find a new buyer for?

Mike: We do track it. Yeah, and it's low single digits, you know, less than five percent. And we we go pretty far to the extreme to try to work with people. So if people get two three months behind, we'll try to restructure their payments. I don't know. I'm just it's hard for me to to pull a piece of property away from somebody, especially the deeper they get into their to their no payments. Yeah. So, you know, we try to keep ours pretty low, but there are those instances where people just say, I can't do it and we will. Also, one of the things we try to do is if they've, let's say, they've paid $4000 in on a property and they just have to walk away, we'll hold that four thousand for a year. And if they're able to come back in and reinvest in something, we'll kind of promise to throw that back in. We've never had anybody take us up on that. But you know, it's it's just something because it's hard when I mean, I don't people work hard for their for their money and in their things. But yeah, we have a low default rate and we don't necessarily look at as bad. It's bad for them. It's good for us. Right. So we've we've had properties that the buyer has paid our portion of the property right. So they've paid the principal that we invested into the property and then we resell it. So it's pure profit at that point. So nice. It's I look at it as a bad thing and it is a hassle, but it's a I mean, it's just it's more, you know, extra revenue coming in on the property. It's just sad to see somebody lose out on on something and people go through hard times.

Joe: All right. Let's talk about multifamily. What got you interested in multifamily

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Mike: Making too much money and land got us into multifamily. So, you know, with with increased revenue comes increased taxes and land does not land does not depreciate. So we started looking for depreciable assets and we we we decided on multifamily. So we were interested really in storage or multifamily, and we couldn't decide. And so we just picked. And we went in multifamily, and so we've been passively investing some of our money, and we've also been taking active roles, which is more finding the deals and you get some sweat equity basically as a way to do that. And so with with with properties like multifamily or self-storage or tangible buildings, the government allows you to take losses on what depreciates down from. If you purchase something for $10 million, then you can read it over time and you can take that against your income. It varies, right? If you have a W-2 income, it's a little bit less that you can take versus we're real estate professionals, and currently it's unlimited that you can take off against income. So we purely got into it for that, although now it's a really nice way to diversify our income stream and kind of not not rely solely on land. But yeah, so that's good. We're kind of in a syndication model where essentially it's a pooling of investors. So if you're buying a property for $10 million purchase price, just like a house, you have to put 20 percent down or whatever. So you know, you need to come up with two million dollars of cash and and so you can pool across 10 or 15 different investors and everybody takes a percentage in there.

Joe: So, yeah, have you found that's been that's a whole nother business, right? Do you have you found that it's it's getting harder to focus on one or the other or both?

Mike: No, I mean, we we have a pretty good balance between us. Lygia is really been focused on the land business since we've joined in multifamily and I've been ramping that up. And so we've been able to keep both pretty active. We're getting to a point where, in fact, just this past month we've been talking about exactly which tasks we would like to farm out to somebody, whether that's a VA or a part time person or a full time person. But we'll start to expand and build out a team. And there are some similarities across. I mean, it's real estate. And so there are a lot of similarities. But yeah, I mean, it's a different animal and a lot of a lot of complexities because of the cost. And it's a commercial product and there's securities exchange regulations that have to be met. And like, like you've mentioned about housing, it's a super competitive market. I mean, there's just a lot of people out there doing the same thing.

Joe: I know Jack Bosch, a good friend of mine who's been doing that a lot, going still doing land, but now also getting into multifamily is making a lot of money, but it's also a lot of work. And have you found like, is it, you know, you've done a few deals now? Do you feel like it's better to be the active investor looking for the deals or to be the passive investor that's just lending money for the deals?

Mike: Generally, I would say it's great to be a passive investor and just put the money in. It's a lot of work. I mean, it really is. Like I said, we kind of love real estate in this business and it's our full time job. So we we have the time. But it is a lot of work and a lot of responsibility, quite frankly. Just, you know, you're dealing

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with millions of dollars of assets and and so, you know, it really depends on the person. But largely, I would say, if you can passively invest and just reap the benefits, do it.

Joe: Mm-Hmm. All right. I want to ask you guys a couple more questions. And then we have people that have typed in questions here and I'd like to throw them at you. Yeah, let's do it. If you were to talk to yourself five years ago and you're just six years ago and you're just getting started, what would you tell yourself back then?

Mike: Oh gosh. I would say for me, it would be patience. You know, I mean, I think at that moment we were in a stressful time and it was hard to hard to not see results right away. But, you know, they come in the end. So patients, for me, it's kind of thing.

Joe: Did you have any fears or doubts that this wouldn't happen? Would you have told yourself, Hey, you know, stop worrying and just start making more offers?

Mike: We did. I mean, and we still do. Honestly, I mean, it's it's it's part of being an entrepreneur or even just a human. Honestly, fears come with it. We one way we we immersed ourselves in land culture. So we we we signed up for groups. We found mentors and when we got coaching. And so we had, you know, people to help walk us through some of those fears. But yeah, I mean, that definitely is a strong message for everybody. I think just to have some trust in the process and stay the course and kind of work through those things. I mean, I think.

Joe: You know, somebody kind of relates to the same similar question to somebody now who's listening to this. And it's like, Man, I kind of interested in land. This might be something I want to do. What kind of advice would you give them?

Mike: Well, I would say first step, educate, you know, find resources, whether it's a show like this, we listen to podcasts we signed up for, you know, we we invested in education, we invested in a toolkit, we invested in coaching. Yeah, we we saw this as our full time business. And so we said as such, we should invest in in getting that education. So that's I mean, that's certainly the, I would say, the first step. But then, you know, I don't want to. There's there's a magic and taking action as well. Right. So you can't just educate yourself. You have to couple that with taking action.

Joe: Cool. All right. So do you mind if I ask you guys some questions get as far away, submitted in advance or submitted here in the Facebook? OK, OK. This is a question from Aaron. If you had to start over and had no money, would you start with land investing?

Mike: Would you start with land investing?

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Ligia I would say yes, because the cost of entering in land investing, model and business, it's it's low. It can be as much as you want it and it's really low risk.

Mike: Yeah, I would agree. Definitely there are in any real estate model, I would say there are ways to do it without money. And this is where I think if you revisit like, I don't know if it's rich dad, but I think it's right, dad, poor dad that teaches this concept right? Like just you have to think and grow rich. Great book, right? I mean, apply yourself. Think and grow rich. You mentioned it earlier, Joe. Like, find a partner. There's people out there that want money. Well, if you're making, you know, agree to some split, I'll give you 50 50 on the profits or I'm put my sweat equity and I'll give you 30. I'll take 70, whatever, right? I mean, there's there's a way to do it, but land is a great it's a great vehicle, I would say, to quickly build wealth from a small, from a small or no amount. Just because you can flip it and you can make quick cash, you can you can do notes and build it out over time. So yeah, it's a good way.

Joe: Good. All right. Another question here from Jay. Do you use flat fee MLS listings? Do you ever put your properties on the MLS with a flat fee?

Mike: I would say no, you're the marketing person. We've used Zillow a lot and actually had pretty good success with it. But yeah, we haven't done anything with the MLS.

Joe: Speaking of Zillow, I was wondering the other day, do you know anybody or have you ever done this where you put your vacant lot on Zillow Property Manager? You know, they have like, Oh, I used to be Kosi Dot Co. I think that, you know, and if you have a rental property, a house, you can put it on Zillow Property Manager and you pay them a fee, but then you can collect rent from your tenants. Have you ever thought about using that for your vacant land or do you know anybody who has?

Mike: I don't know anybody. I'm familiar with the system from renting. But yeah, that's an interesting concept. In terms of notes, I don't know if they would embrace that or how that would work.

Joe: Interesting. Yeah. I know some people do rent or own on their vacant land, so maybe that's a way around it, right?

Mike: Yeah. Yeah, I mean, that's essentially our model. We we we structure our promissory notes in our contracts such that we don't transfer the deed until the notes are fully paid off. So it's kind of like a rental, but cool.

Joe: And then related to that as a question from Aaron, do you use a note service to do this or do you do it yourself? We talked about Geek Pay Geek Geek, right? Yeah. And then what's the other service that you use? You said you spread it out.

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Mike: We have use QuickBooks a lot. So we have great books for our bookkeeping and they have a feature that you know, you can set up recurring payments. It's a little less customized. Geek pays for land investors, right? So you can structure no fees, taxes, late payments and those types of things. So it's it's it's a little more friendly. But yeah, I mean, you could pay it. QuickBooks, as is another way that we try to to balance the two when we have clients that we think it works better. If we've also used like if you like Bank of America and Chase, they have this payment app called Zelle or whatever. It's like a, you know, electronic transfer. We've done that with clients before. There's no good thing. There is like you save on your on your fees and your service charges, right? So we a lot of times we'll try to look for our things where we can avoid fees like that with Zelle.

Joe: Can you set it? Where does it automatically or do you have to manually do it every month?

Mike: The pay the payer or has to, they can set it up automatically. I'm not sure that I can set it up to bill somebody, but I think, you know, they just set up an automatic payment plan and it's transparent. And then we have we have a couple of clients that send us a paper check.

Joe: That's good. All right, so any final things you guys want to talk about or say, do you guys have a website? People can reach you if they want more information about what you guys do.

Mike: And yeah, we have our our multifamily website is Deaton Equity Partners, dot com.

Joe: And let me write that down. Spell it again. Deaton and they can

Mike: Deaton equity partners. So Deaton equity partners. Got it, you got it. And then if you'll, you know, we have a landing page. So backslash freedom, OK? And we have a couple of resources there, like kind of intro to land investing, intro to multifamily investing. We have our contact information. If anybody wants to reach out to us separately, some things there. So that's a that's a good resource. And then our our our land investing website is just really selling land. So it's open plains properties dot com.

Joe: Open plains properties properties.

Mike: Open Plains Properties dot com.

Joe: Open plains, is that okay to put that on here?

Mike: You can. If somebody wants to buy a piece of land, we'll be happy to sell.

Joe: All right. Open Plains Properties dot com. They also have Deaton equity partners, dot com and you have some free giveaways that Deaton Equity Partners dot com slash freedom. That right? You got it. Nice.

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Cool. Well, I appreciate you guys being on the show and just sharing kind of what's working for you. And you know, it's always a treat to hear from people that are actually in the business, doing the business and having success with it. So I really appreciate you guys. Mike and Ligia Deaton, thank you so much.

Mike: Yeah, likewise. Thank you. This was fun.

Ligia Thank you for having us on the show.

Joe: All right, guys. Listen, if you're not watching this on YouTube right now, go to my YouTube channel. Subscribe, click that little like button and show some love. We appreciate you guys. We'll see later. Thanks, guys. Take care.

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