Ep #43: Interview with Mark S. Jackson

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Dr. David Phelps and Evan Harris

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David: Hey, everyone. This is Dr. David Phelps with the *Dentist Freedom Blueprint* podcast also Freedom Founders Mastermind. Back to you today with another outstanding expert interview. I've got with me today my good friend, Mark, also better known as MJ, Jackson. Mark, how are you doing today, sir?

Mark: Absolutely phenomenal, Dave. It's going to be a great time to care and share with the group.

David: Listen, I want people to know a little bit about you and then we'll get into the topic today which I think it's going to be very interesting.

Just to give people a little bit of a taste, MJ, we're going to talk about the market cycles and particularly today as how they apply to real estate investment. Because of course, Freedom Founders is all about creating wealth outside of one's practice. What does that look like? How do you do it? How do you do it safely in different markets? We're going to get into that today. But give us a little bit of your background because I think your particular expertise is very valid for our topic today.

Mark: Without a doubt. Well, basically, my background is as a real estate appraiser in the late 90s. So over the last almost twenty years now, I've parlayed that experience in terms of valuations. Take an evaluation-first approach and looking at different market areas around the country.

First, starting in the southeast and then kind of moving across the country to my core business which is InvestorCompsOnline. We provide real estate valuation training and data to investors both domestically and now internationally.

So literally, regardless of what market area a person is in the United States, we service all the major markets providing background valuation information. So a person can look at their home and do a valuation on it. A person can look at their investment property or even their existing portfolio and really see and do an analysis of where they stand in terms of equity positions on those properties.

As we know, in a lot of cases, this is all about finding new opportunities to engage and be able to build that plan B, build that exit strategy from a person's practice. Whether they're doing it on their own or whether they're engaging within the group with Freedom Founders. Really just verifying that data to know they're in a good position.

So for me, it's like water on a duck's back, Dave. I absolutely, positively, love. It is truly just a divine intervention to be able to find this part of real estate. I just have a complete passion for it without a doubt.

David: Well, you do have a passion and your family and your son, Deuce, who also comes to meetings, your daughter, Amirah, who I have to mention just because she has that connection to me because she's in dentistry. But she also is going to get some help from our group as she goes forward and starts to build her practice location, deals with some real estate in that regard.

But anyway, that being an aside, what I do love about what we all bring together in Freedom Founders is we have a real finger on the pulse of the market. What do I mean by that? Well you can read or listen to the media. You can get *USA Today*, you can get *The Wall Street Journal,* you can watch on TV business reports about what the markets are doing. Again, I'm talking specifically here about the real estate market.

The cool thing about the real estate market, MJ, is that there's no index. There's not a Dow Jones. There's not a trading desk, per se. Real estate is very localized and that creates both opportunity but it also creates some barrier to entry.

Could you just talk a little bit about that because there's no—I hate to mention names here, but there's like no George Soros interfering in the real estate market like he does in currencies and on the markets. We really have the ability as individual real estate investors to really find niche opportunities.

But the whole key here is connection. Connection. So could you just talk a little bit about the market and the fact that you are able to have your finger on the pulse of markets all across the country through your network?

Mark: Absolutely, Dave, it's a lot of fun. In particular, I'll kind of speak to the international aspect and then pare it back to the United States. I do good business with clients in Europe as well as Australia. When I first get engaged with new individuals, they'll ask me, "Well, how is the U.S. real estate market?" So I just smile because we know the answer to that is there really isn't a U.S. real estate market.

David: Right.

Mark: You break it down by region. Then you break it down by state and then you break it down by county or even individual market areas or neighborhoods that you're engaged in. You and I are both familiar with obviously the Texas and Dallas market, as well as some markets around the Denver area.

Both of those are unique and distinctly different to one another in terms of what drives them. But there's areas within each of those markets that you would either just lick your chops on in terms of doing business and others that you would absolutely run from. That's just two municipalities unto themselves.

What drives them as compared to maybe a panhandle of Florida or a Gulf Coast of Florida or an Atlanta market or even what happens around the political hub of the United States in the D.C. market. All of those indicators and drivers are so very, very different. So we can never refer to the U.S. real estate market. You have to break it down and really look at the different components that exist within each individual separate market.

I know for a fact one of the things that I was really looking at when we talked about timing this conversation, between the 2007 up to 2012 recession era, in the metro Atlanta market there's a neighborhood called Vinings. It's just to the northeast, pardon me, northwest of downtown Atlanta. And while there's other activity, even in Atlanta, which held fairly steady, it didn't have, certainly it hit in terms of valuations.

The Vinings' market area was still one of those that even during the 2007, all the way to 2012, literally annually, had a double digit increase in value because of the dynamics that make up that market, the people that live there, the schools, the amount of development that had been done and the amount of development that was still being done.

So when you're really able to narrow in, taking a valuation-first approach and using a tool like InvestorCompsOnline to analyze what transactions are actually taking place, you can really see and grab hold of those opportunities that are ripe for investment and certainly those where, "Wait, nope, don't want to go there."

So that's really how we have to look at valuation. It is broken down by markets and you want to have the right tools and the right backing, the right resource to be able to analyze and know where your resources are going to be, where your resources should be put, and then where you may want to say, "Okay, this is a little bit more questionable."

David: Well said, well said. So to put a time/date stamp on our discussion today, we'll just let people know that we're in late 2015, a little after Thanksgiving, so that people can reference this in terms of when they might listen to it. Hopefully they listen to it sooner than later because the information is more applicable where we are right now.

The other thing that you just laid out, I think there's one question I need to key up for listeners is that we're talking about geographic arbitrage, being in different markets in the country. I know the first big question that will come up to our lot of our listeners who have not been involved in real estate or maybe has done so but more on a hobby basis, what I call "accidental landlord" is they're thinking, "Oh my gosh, I couldn't even handle some rental properties or a rehab in my own backyard because I just didn't know what to do. I can't imagine investing in different markets."

That's what all of our doctors initially think, MJ, is they think, well are you going to teach me to go back and do this in our own markets? I say, "No, no, no, what we teach at Freedom Founders is joint ventures." We do joint ventures hand over fist.

This is not a call about joint ventures because there's a lot we need to go down the road there but joint ventures is, in my opinion, my experience, the way for busy professionals, business owners, to get involved in real estate to do it the right way with good people, with due diligence, all the things that need to be done.

In fact, I will say this, MJ, people that are listening to the podcast today, if they would like to get an interview I did with another person on joint ventures specifically, just email Theresa, that's T-H-E-R-E-S-A, Theresa@FreedomFounders.com. Ask her for the joint venture interview and we'll be glad to send that out. That will kind of back up what we're talking about today.

So that being said, so people understand it, we can invest geographically. I do it all the time. MJ, you do it all the time. I invest near you. A lot of our members invest near you because you're in these different markets. That's how we get the diversification. Let's also say that I don't want people that are listening to this to go do this on their own because there are … the joint venture application is all about the character and the experience of the people in the different markets.

You want to invest in markets where you know that your joint venture partner, so to speak, is well vetted. In other words, they know their market like the back of their hand. You know Atlanta. You know Denver. In fact, you know a lot of markets because of your background and you also do a lot of coaching with a lot of people around the country so you have that in place. That's why you're a reliable source for that. So people need to understand it's all about the connection.

All right, so let's also bring out the next elephant in the room. That is, MJ, everybody remembers or understands that there are market cycles. The last big market cycle was in 2008, 2009. Financial markets collapsed. Real estate housing went down. Commercial went down. We went kind of through that.

2011 things started to perk back up and in most markets, values have come back up. Some have gone even ahead of where they were before the downturn. Rents, cash flow, and again, almost all markets have not only stayed steady during the downturn but has actually increased even ahead of values. So I think that's something people understand.

Now, you and I, and the other people in Freedom Founders, we anticipate, it's not a question of if we have a market downturn or another reset, but when. It's going to happen. It will happen. But we're not afraid of it.

This is where our conversation came up a couple weeks ago because we were helping one of our real estate members in Freedom Founders with dealing with a market in the panhandle of Florida that has over the last three or four years really increased in value. They're playing in a market now where they're dealing with rehabs. They're very good at it. They're doing rehabs that are retailing out in the $300,000 to $400,000 price point.

You and I both counselled them, said, “Hey, you’ve got to be careful because when there’s a reset, that’s when people get in trouble.” You and I like properties that cash flow, meaning that if you work in a market that’s price points are more in the mid five figures, say $60,000, $70,000, $80,000, $90,000, even the low six figures, so $100,000, $130,000 even in some markets.

Those properties will cash flow whether you're going on a short-term investment, you're lending on a fix and flip. Or you're going to ride it out, those properties will cash flow. The $250,000, $300,000, $400,000 properties will not cash flow. That’s when a problem comes into play. So I laid a lot out there. You want to kind of fishtail back and dive into some of that in that context?

Mark: Absolutely. I’ll say the fun part is really is being tied into the different market areas. Sure enough, there is a platform where you're talking in the five figures to low six figures, that those deals will cash flow whether they're being held for long term or there’s going to be a plethora of buyers out there, especially in the FHA market that are going to be able to purchase those homes 97 percent financing. Not a challenge at all. But you still want to be selective as to where you do that.

Even right now, we talked about Thanksgiving. I was able to communicate with you, there was a property that went under contract in the Atlanta market essentially $5,000 above list price the day after Thanksgiving. So the folks were wanting to get it locked in so they’d be ready to move in before Christmas.

But the same thing, on a project that I think we acquired down in Ruskin, just outside Tampa, low $100,000s, probably about $122,000 investment. The property is under contract for $185,000. It only took five months to get that one flipped, on the market, and ready to go. We got another one under contract in the D.C. area right, in Hyattsville, Maryland. Same thing. Acquired for about $120,000 and under contract right at $179,000. Going to close just before the Christmas holiday.

So looking at the different specifics and dynamics and price points where you know that there's going to be a very, very big pool of buyers in market areas that are desirable and floor plans and construction materials. You know, the age of the property that's appropriate for that market area to really make it work.

Now, when you're talking about going into more dynamic markets that are waterfront, in the panhandle in the Florida area. There has been a change. First, the values have gone up and there is a cresting as far as what are going to be the maximum price that you can acquire or, pardon me, be able to sell that. So with prices going up, it also means the acquisition price has gone up. So that impacts the margins that are available.

Granted, you're in a situation where the margins are really in your favor. Then the margins kind of get right where they're supposed to be or what would be considered fair for everybody in the transaction and then they get a little bit tighter. So you have to be very careful in your acquisition but also in identifying your exit strategy. You want to have multiple exit strategies, whether it's going to be wholesaling, whether it's going to be a long-term hold, or certainly an actual flip transaction.

As we look at how buyers are functioning in the market area, one of the best indicators to go to is going to be consumer confidence. We know consumer confidence is not necessarily built on any type of economic indicator other than a polling about how people in the general economy around the United States in different market areas feel about the economy. Right now, we're still on an uptick although there has been a slight decline in consumer confidence but that's been an area mostly of consumable goods.

Where it's still strong are in two areas that are key to us. One is the likelihood that you'll buy a car in the next six months or the likelihood that you'll buy a home in the next six months. Now, Dave, we also realize we're in an election cycle here in the United States so for all intents and purposes, there's an uptick in terms of how people feel about elections. They feel like the economy is going to stay strong at this particular time. We know about eight years ago that wasn't the case.

But right now, people feel very, very good. Feel—I'm not saying there's math to support that, but it's what they feel is that things are going to continue to be in their favor. That they'll be able to borrow money. That they'll be able to get a job. That they'll be able to pay those debts off, that type of thing. So as far as being in a situation where you're doing a dynamic market like a panhandle of Florida, there's still every indication in the next sixteen, almost eighteen months that we'll have price points out there that will stay steady.

But after that is where we want to keep our mind's eye because we realize there's four cycles in buying. There's the entry level of buying, the exit level of buying, where the buyer is in control. Then there's the entry level as the seller and the exit level as the seller, where the seller is in control. Right now, we're right in the middle of where the seller is still in control of the price and that's on the dynamic side of the market.

It's always when the cycle flips that the buyer is then in more control because they're in a situation where they can really dictate price, stuff like that, because they can get any price they want because the seller just wants to let go of the property.

Right now, it's the sellers are the ones that are really still flexing their muscle but that muscle, it's going to weaken and it's going to be weakened down the road so we want to have our eyes wide open as that continues to transition and watching values using a tool like InvestorCompsOnline, is going to be the absolute best way to do that.

David: Perfect, perfect. So I know in Dallas, our market, we've crested a little bit too and it's not as active as it was a year ago. So keeping that in mind and kind of framing up the way one can invest in real estate, one can be a lender in real estate. They can lend money both short term and long term. That's just being like a bank, so you have a secured interest, a mortgage, against a property.

So being in marketplaces, again, where your price points as you already described MJ, where the price points, the value of the property, the amount of money being lent on a particular property, whether it's short term or long term. That property can produce cash flow, meaning that if one's lending money on a rehab, which typically four to six months on average is what it would take, if for some reason that property, that we have a reset in the market, that property value drops. Let's just say it dropped twenty percent and kind of snuffed out a great deal of the profit.

Well the good thing is, as you said, with multiple exit strategies, one could just turn around and rent that property in that price point range and get a good cash flow return and wait out the market until the market came back.

On longer term, buy and holds, one can again lend money. We do lending money with equity appreciation, share appreciation. One can also just actually buy the property with that turnkey rental opportunity there. Key thing again, as long as the property cash flows based on the price point, the amount of money invested in a property, then it doesn’t really matter if the property would drop twenty percent because the rents historically don’t do the same thing. They may flatten for a short time but then they're just going to go back up again. So you hold the property.

I kid people, MJ, I say when we have a downturn, anytime we’ve had a downturn in the marketplace, the value of my properties in the north Texas area, maybe a worst-case drop, fifteen percent. Well guess what, my properties never knew that. They never read the papers. They kept producing rent. And I go, well if I’m not a seller that day, I’m okay. In other words, there’s a difference between investing and speculating and we’re talking about investing here. So that’s the hedge I think that we have against a reset when there is one from an investor standpoint.

Now you and I also counselled one of our doctors a few weeks ago who his game plan was to acquire a turnkey rental property in a good market where there’s a good cash flow. But a little bit older property and in an area that maybe where there's good cash flow but maybe not the appreciation index that you might have in another area.

His idea was he was going to hold that property two or three years and then harvest the equity, do what we call a 1031 tax-free exchange and move that equity up to a little bit better grade of property. You and I came back and said, "Hold your horses here. Two to three years in any market is still short term." You cannot, even though the market's been going up, you can't guarantee that, as you said, past eighteen months, who knows?

So we came back to him and said, "Look, if you're going to do anything on a longer-term basis, I think five years minimum." That's what we counselled him. So just being careful of the strategy and that one does it in a way that makes sense for the marketplace then one that's going to be safe and not suffer losses like speculators will do in almost any market.

Mark: Absolutely. Again, it always goes back to looking at your acquisition point. Because in any of these transactions, whether they're a long-term hold or whether they're short-term deals that have the potential to flip and produce a quick profit for the parties in Freedom Founders that actually are doing the lending. So they're not actively engaged in owning a property but they're doing it more dynamic.

All the profit is always made on the acquisition, even those that didn't realize … those houses in north Texas that didn't realize that the markets had gone down and they lost fifteen percent. It was the acquisition point that allowed you to put your rents where you could be flexible with them and not have to have the absolute maximum amount of rent to cover any holding costs, whether that's just taxes and insurance, or if it's even some debt service. Acquiring the property at the right value really is what drives everything that we do.

David: Exactly right. The other point that we probably should make on this interview today is that there's this window of opportunity, I believe, even though we might say we are in a little bit of a bubble, cresting in some markets in terms of valuation. The interest rates that we have today, institutional rates that even investors can obtain at five percent and less, locking those in for 20-25-30 years, fixed rate on good, cash flowing properties.

In my opinion, MJ, we're in a historic time period from that standpoint. We'll never see it again. We've got a lot of our members that are locking up these low interest rates on good, cash flowing properties. Leveraging out very, very safely, very prudently. That will maximize their returns, maximize their equity from both the amortization, the pay down of the debt over time, which the tenants actually do that, right?

Then of course, buying discount into the market today which our good, boots-on-the-ground investors like you are able to do so because of your lead generation. Then finally, appreciation, which is essentially the inflation in the marketplace. When that is, where that occurs, basically you're shorting the dollar. You pay back that debt at under five percent with dollars that are greatly devalued and that's a huge benefit to a debtor in that particular case.

Mark: Absolutely. It's really cool you talk about the lead generation side because even, especially from the doctor's practices, just kind of opening that door of conversation based on how much time we have. In our real estate business, we're real estate business oriented information marketing. We're not really functioning any differently than how the doctors in their practices are working.

There are different methodologies that we use to bring leads, whether they be properties to invest in or whether they be clients to use our systems, are no different than the practice of one to draw attention to these different dentists' offices. The chairs are filled, the operatories are working at maximum capacity, as much as one desires them to be. How we do that lead generation in the real estate side really can be mirrored for the different practices that are out there.

I think there's a wonderful synergy that you and Freedom Founders brings in that dynamic. That yes, we're offering plan B. We're teaching how to take advantage of joint ventures in terms of business but on that I guess long-term investing side. But really be able to take those same practices and bring them to their core business is dynamic. I'm sure it happens in other places out there but not as seamlessly as it does within Freedom Founders.

David: Well great correlation, MJ. You're right, lead generation, that is acquisition of prospects, in this case, prospective patients for doctors, prospective house sellers on the real estate side. That's where it all begins. So people like yourself and other people in Freedom Founders who are the real boots-on-the-ground dealmakers are able to do that because they know their marketplace just like the back of their hand and they're out there with multiple channels lead generating.

So working with good partners on joint ventures as I said earlier, is the absolute key. Don't try this at home. Don't do it yourself. That's the work ethic in all of us, you know, "I can go do this myself." But it's really not a great … I always say piggyback on other people's deals. That's your fast track to any good progress towards one's goals and in Freedom Founders, it's all about freedom.

Listen, we're just about to the point where I need to wrap this one up, MJ. I want to tell you, it's always a pleasure to have you with us, Mark "MJ" Jackson with InvestorCompsOnline.

Mark: It is a pleasure, Dave. We could go on and care and share but without a doubt, it's wonderful to work with you and to work with the folks that are within Freedom Founders. I mean, obviously we could call in name after name after name, doctor after doctor after doctor, but I'm just so thoroughly pleased to have the opportunity to engage.

And certainly the benefit that it also brings to my son and our daughter, Amirah, with her being a D3 now and moving, transitioning to the idea and ideas and thought process of having a practice down the road, it's just invaluable. I can't thank you enough and again, it's always a treat to care and share with the group.

David: Thank you so much. We'll talk soon. See you on the next podcast, folks. Have a great day.

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