Combining Healthcare and Real Estate - How Demographics and Market Analysis Protect Investors - Austin Hair: Ep #517

Austin Hair:

Warren Buffett says his favorite holding period is forever. I'd rather hold an asset and refinance it. Then I get that money back tax free. Now it's not going to be as much even after taxes, like right now with interest rates higher, you're still probably not going to have as much as you would if you flipped it, but you hold your equity in the deal, you're still earn your ownership. You're still collecting quarterly distributions, which they're not going to be a lot, but it's something. And then in five years, you still own the asset. You can refinance it again, pull all of your money out or additional like more than you put in and then continue to get cashflow. And then at some point in time, five years, 10 years, 15 years down the road, if you do want to sell it, you've built a lot of equity.

Podcast Intro Reel:

David was of course a dentist, but he was a very sophisticated real estate investor. He had run with a circle of probably the most sophisticated house buyer types in the country. David is a student of the game.

I would never say this about most people. I would get in a foxhole with David.

His knowledge is unreal. I mean, it's off the charts.

This is not some person in front of you going, yeah, just give me your money and I'm going to invest it in real estate. It's way more elevated than that, the most common message I get. I want to thank you so much for introducing me to Dr. Phelps because my wife and I, we went to Freedom Founders. We're on a path we're going to be financially free. We are going to retire sooner. We are going to be happier. This changed our life.

David Phelps:

Today I interviewed Austin Hair from a professional wakeboarder to a real estate investor and even an American Ninja warrior. Austin hosts the Helping Healthcare Scale podcast, interviewing successful entrepreneurs and diving into actionable strategies for healthcare professionals and organizations. Austin is also the manager and partner at Leaders Real Estate, a commercial real estate brokerage that helps DSOs and MSOs find specific property locations.

Freedom Founders Podcast Ep 517 with Austin Hair

Combining Healthcare and Real Estate - How Demographics and Market Analysis Protect Investors - Austin Hair: Ep #517

David Phelps:

Since I've known him, Austin has been excited to analyze risks and rewards for any business or investment opportunity. I've worked with many experts in different industries and markets in Austin is top tier in this arena of combining healthcare with real estate investing. Today we'll dive into how gathering data can help inform better investment and business decisions. Why demographics and competition are two variables that you don't want to overlook. The pros and cons of owning the real estate of your business, why long-term interest rates have not come down, the potential for a recession hitting soon. Why you shouldn't care as much about the federal fund's interest rate and what Austin thinks of wedding venues as a real estate asset and much more. Please welcome Mr. Austin Hair.

David Phelps:

Hey, Austin, it's great to have you back. I think there's some real relevance in our conversation today as it always is because we're living in very dynamic times, just a timestamp as we just had an election just a little over two weeks ago, which was kind of mapped out to be highly contested and it turned out to be a mandate, which I think bodes well. We're going to talk a little bit about how the economy affects the things that you do, the things I'm interested, which is real estate, but there's a lot of things I think we can talk about, but I'm just not timestamping this to let people know where we are in the economy. But let's go back in time because I think it's always interesting to know how you got to where you are as managing partners, leaders, real estate. We'll talk about what leaders real estate does, but back far as I know your story, you're like a wakeboarder, right?

Austin Hair:

Yeah. I was a professional wakeboarder for like 12 years. Got to travel, I think, I dunno, 35 countries or something or 30 countries. I kind of lost count. I had a ton of fun doing that. It's like I kind of thought I was going to do that my entire life. Really just retired at the age of 26. That was the dream. And then, yeah, realizing life goes on after 26, and so you hope I started. Yeah, so I was really into health and fitness because I had to stay fit to do this. So I ended up getting opening up some fitness centers, and when I opened up these fitness centers, that's when I was growing by Denovo and I had about three, was ready to do the fourth one. They were small, 1600 square feet or so.

David Phelps:

Where at? If I could ask you what geographic area?

Austin Hair:

Orlando, so downtown and then Northeast or Oviedo, and then the little Southwest in Williamsburg, right by SeaWorld. We were trying to corner the market. The first location we picked was close to my house. It was awesome. It was doing great thought I knew what I was doing. The second location did not go well. It was a super, super sparse population. Demographically it was high income, but really low population. I didn't do the math. And then the third one, same thing by SeaWorld. That one was actually an acquisition, but yeah, was not great demographics. We were using Alex Ozzy's program, which do you know Alex?

David Phelps:

Oh, yes.

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Austin Hair:

Yeah. I met him in 2017 early on in his career, and we did gym launch and it worked phenomenally well. And so we were ready to do the fourth one and I thought, you know what? I want to go to Winter Park. That's the coolest sexy area, but I want to stay away from Kissimmee. Those demographics are kind of garbage. And what I found was winter bark was super saturated. Rents were really high and it was super full of competition, and Kissimmee was wide open. And the reason that I found that was because my broker at the time, now, my partner did a really in-depth competition analysis and I would've just had no idea. We went several layers deep with the data and the analysis came back, oh yeah, Kissimmee is going to be a great spot. Winter Park, maybe not right now. What I learned was you can't make good decisions without good data.

Thankfully, the franchisor was a terrible person to work with because that got me to exit that and sell my gyms right before Covid, and if he was easy to get along with and operated above board, I would still be doing that business during Covid. It would've been really difficult. So luckily I sold the gyms, dodged that bullet, and then my partner invited me to start working with him in real estate. So that's how we kind of got started there. He was my real estate broker doing site selection for the gyms gym. He does stuff all over, well, I guess we do stuff all over now, but he lives in Orlando, right? So it was really convenient when we were doing that. So his whole thing was he had been doing this for 14 and really focused on urgent cares. I guess at the time, it would've been about 10 years now it's 14 years focused on urgent cares and healthcare.

And one time he had this deal where this urgent care had been targeting a trade area for a long time. They couldn't find anything until eventually there was the perfect spot, and so they presented it to the landlord. They're like, Hey, we got this hospital back to urgent care, great credit. We want to occupy this spot. And the landlords like, sorry, we only want to sell my partner. His name is Nate, is just like, what? That's crazy. The whole deal fell through. He's like, we're bringing value to these landlords and they don't even want it. That's when he had the idea, well, why don't we start buying the real estate? Then? That's when we started working together. I really helped a lot on the investment and purchase for sale leasebacks or new construction development side, whatever path we take to owning the real estate. But we focus on healthcare because he's been doing healthcare, so there's a lot of crossover between dental and urgent care and vet and behavioral health and dermatology.

They're kind of occupied the same footprint and you're looking for a lot of the same metrics. So from a high level, when I say demographic analysis, really what that means is we do a grocer anchor study. We use a software called Pitney Bowes that we pay for, we find is the most accurate. We find all the demographic data around different grocer anchors, and then we correlate that. We overlay that on a map. We color coordinate it, so it's real easy to see. And we do a competition study. We overlay those two together and we just look for where is the highest concentration of ideal customers, like the highest tier one grocery stores with the least amount of competition. And so we try and find these places that help our groups that we work without position the competition.

David Phelps:

If you're interested in learning how to invest safely and profitably during any economy, any market cycle, whether it's up, down, good or bad, then just download my free report, the full cycle investing report below.

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David Phelps:

There's been a lot of half cycle investors who have profited immensely, made great Gaines in the last 15 years during the bull market we've had. However, the markets are changing. They always do. There's going to be a day of reckoning. You can either be prepared, take advantage of the opportunities and protect your wealth, or put your head in the sand and do so many other people wonder what happened. If you'd like to be on the front edge of the things that are coming in the future, just download my free report, the full cycle investing report in the description below. That's really interesting, and I agree with you. Data being able to do the math and analysis is critical for any kind of business venture or investment.

You've got to have data and someone who knows how to analyze it, and you mentioned ideal customer, client, whatever it would be. So that's going to be a little bit varied from niche to niche. I mean sub niche, you talk about medical, dental vet, then you can go out into other areas of course, but I'm just saying, let's give our audience an example. I'm going to make this up. You probably have a better one than I do, but used to be the 70-year-old person tracking their health, people living longer, and people that are 70 years old, if they're doing a good job with their health and going to the gym and keeping fit, they can actually look and feel like they're 50. My question to you is, if you're putting in a gym somewhere, and you mentioned Winter Park, Florida versus Kissimmee, of course you had to look at the competition, but also is there a demographic there? If it's an older demographic and there's a higher income or more wealth, does that portend to say, well, maybe they're not good gym people because those people generally are doing other stuff and they're not going to go to a gym, but this kind of group, this kind of a demographic, they love the gyms or they love our kind of gym. Maybe it's our kind of gym. So there's some sub niching there. Same thing for a dental practice, orthoped versus somebody who does higher end reconstruction. I mean, give me some color. It

Austin Hair:

Is not cookie cutter in the sense that the demographic studies that we do are custom to each client that we work with. So it's easier for us to work with groups that are larger, 8, 9, 10 locations that are grown by de novo because it takes a while to figure this out. We have a discovery call where we're back and forth, are you Medicare Medicaid? Are you PPO? Are you pediatrics? Are you geriatrics, primary care, general dentistry, like you said, ortho endo. Each group has their own niche, their own type of patient avatar. We use that data to tier the G anchors according to what they have because look, if you're Medicare Medicaid, you're going to want to be right next to a Walmart. If you're all PPO, you're going to want to be next to Whole Foods, trader Joe's, Starbucks, that sort of thing. So every group is different, and then we base our analysis on that.

David Phelps:

Yeah, that's really interesting. And so you're primarily looking for multi-tenant locations?

Austin Hair:

So there's a couple things. We've done deals where there's a group that's got good backing or whatever for whatever reason, they're growing by acquisitions and they don't want to buy the real estate. We can come in and we can buy the real estate and just lease it back to them, and that's worked well because if the doctor wants to sell the real estate, you're obviously tying up your cash. So now you can focus on using that for the operations. So that's one way we work with groups. But the other one that you're talking about is from the development standpoint.

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Austin Hair:

So yeah, right now you mentioned earlier where we're at in the cycle and it's just everything is really expensive. Development is extremely expensive, and there's really a pipe dream might think for a lot of operators, a lot of dentists to own their own real estate.

A lot of times they don't realize is the cost for new construction is just really high. And I've seen people, there's a place down the street available to rent for like 25 bucks a square foot, but they got to rent and they want to own. Then cost a build is like 45 a square. And when I say price per square foot, I'm talking annually. So you can do the math, but the point is it's significantly more expensive because it's like, oh, I got to own the real estate. And so it's like you don't necessarily have to own the real estate, first of all, to have a successful business. In fact, I would say focus on the business first. But that being said, sometimes there is not the case where there's a place available for 25 a square foot, there's nothing available and there's an empty pad, but it's in a good spot.

What do you do? Well, that's where we will develop a multi-tenant building because we're going to get the most economies of scale. So when you develop a single freestanding building at 2,500 square feet, you don't have a whole lot of economies of scale. If you buy an acre and you can fit 8,000 square feet, now you're spreading out some of those horizontal costs. So what we've been focusing on recently with the groups that we work with is essentially we'll take on that risk of doing the multi-tenant development because that's why a lot of developers don't do this, and maybe your audience is familiar with it, maybe they're not. But typically developers would much, much, much rather do single-tenant. I would say 90% of them won't really do, but when you can do a multi-tenant deal, you're going to be helping your, it's our case, it's a healthcare group that gives us the assignment.

Austin Hair:

You're going to be helping them get the best rent possible. So what we do is will use the assignment that we get from our healthcare group and then we'll go and find the spot for them. We'll try and develop as big as possible. And we've been doing, like I said, my partner has been known this 15 years and the past five or six years we've been focusing on getting relationships with national credit tenants that are retail. So we've done Starbucks and Panda and Chipotle and AutoZone, and so we can bring them in to pay the retail rents that they should be paying, but then we can lower the healthcare group's rent a little bit and then still make good returns for the investors. So that's the strategy that we've been using to combat high interest rates, inflation labor, real estate costs, cost of capital supplies, you know what I mean? All that stuff.

David Phelps:

Why do developers typically not want to build out a multi-tenant facility wise? Is it lack of relationships? It's too much, too complexity. They're just not made for that, and it's simpler for them just to build for one tenant.

Austin Hair:

So the reason being is because you're probably not going to get all of the spots filled before you break ground. So if you get an assignment from a group, you're working with a specific tenant, you've got surety there, a lot of times you'll get assigned lease, and then you don't have to worry about it. If you're doing a three tenant building, the bank's going to want to see at least two of the three leases signed.

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Austin Hair:

So that means you got to go, yeah, you got the group that gave you the assignment, now you got to go try and get another lease, and then hopefully by the time the construction starts, you've got the third lease signed. So it's just an added element of risk

David Phelps:

Because that's your forte in the connections you've made with a track record. That's what you bring to the table that most others don't have. So you're just filling a void in the marketplace for those who have a win-win situation and boom, there you go.

Austin Hair:

Yeah, there's really two ways to do new construction development. One of them is spec, meaning you find a good spot, you build it, and then you try and get it leased out. But what we do, we're tenant driven, so we try and make relationships with the tenants first. They tell us where to go, and then after we get the assignment, then we start to build it. So it's the way that we prefer to do it. I don't want to say any one way is better than the other. They're both hard work, but that's the way we prefer to do it because then it's a little bit less risky to try and fill the balance of the building. We're not trying to fill the whole thing.

So as I think through this, as you said, it's more economically scalable for you guys to work with an organization healthcare in this case that is expanding and doing multiple locations because once you figure out the avatar for them, and then now you can scale that out, is it many times cost prohibitive for a smaller single operating entity, even though it might be one location, but a decent size where they've got some multi-specialists under one roof and that kind of thing? Does it work their way or sometimes you just have to look at the math and see.

Yeah, look, we kind of got to look at the math and see. It's definitely harder for a single location because yeah, the workload upfront is kind of the same to do an analysis. And then the motivation, that really varies too. So you've got 10 locations and you have a mandate to grow. You are going to be picking locations. What we found is with single practices, a lot of times they might be an associate somewhere else and they've got a ton of flexibility. So they want the absolute best deal possible, even if that means waiting several years, which we've seen. So what happens is you start to do more deals, you get a little bit more sophisticated and you just realize like, Hey, I have 10 things of my criteria. I'm not going to get all 10, so what are my must haves? Because if it's like I want a great location, I want it to be brand new, I want it to be retail and I want it at a 30% discount, you know what I'm saying? It's not going to happen. Pay for what you get. There's like you grind your teeth a little bit as you start to do those. But look, if somebody, they're single practice and they're ready to go, they have a sense of urgency, they got to open something up. We like working with those types of people.

David Phelps:

So let's talk about where the market is right now and where are you best guess think it's going. And we mentioned a little bit about deficit spending, interest rates always that plays big time into any kind of real estate. My question to you is what have you seen in just the last two weeks? I mentioned the election. I've seen in certain segments, certain sectors that people, investors, business operators, owners in some respect have been sitting on the sidelines waiting for the election to see what the heck's going to happen because all the uncertainty keeps people just paralyzed. And then when something's finally certain, whichever way it goes, it's like, okay, now I can make plans, whatever those plans are. Have you seen any of that happen?

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Austin Hair:

Yeah, I mean involved in a handful of different masterminds and invest groups and stuff like that. They've seen a ton of commitments to deals and writing checks and m and a and that sort of thing. I listened to your recording of the post-election evaluation. So I think you and I are going to disagree a little bit here. First of all, when it comes to deficit, I just realized this the other day, so maybe a lot of your listeners are smarter than me, but when you're running a 7% deficit, essentially what that means is the US treasury has to continue to issue more bonds, and so is there's more and more of these bonds being issued. Well, that's the increase in supply. So the demands not really necessarily changing, but the supply is changing. So what does that mean means you have to create more interest, offer higher interest rate terms to get people to pay for these.

Well, the government competes with private borrowers, so that means that interest rates are going to go up across the board. The higher the deficit, the higher the interest rates stay. And I just never really thought about that, and it's like, man, until we get this deficit under wraps, it's going to be really hard to get lower interest rates because I would've thought interest rates would've come back down. A long time ago, a year ago they said they were, we thought this was going to go real up high and real down low. Now that being said, I don't know how much that's going to negatively affect real estate because real estate hasn't decreased. I thought for sure the price of real estate would decrease in direct correlation with the interest rates and it didn't. And the reason is because lack of supply, but also money supply.

I mean, the money supply has just gone crazy. And I know that you referenced the Reagan era where they cut a lot of government programs and then we tightened our belt, and that I think eventually led to a big recession or pullback and a hundred percent. See that being a possibility. But I also can't reconcile where all this money on the sidelines is going to go if you've got hundreds of millions or even billions of dollars in dry powder waiting on the sidelines right now because the money's got to be somewhere we've printed it. How much can the price of an asset fall before it becomes a good deal and you just get back in? It seems like that's always going to be the safety net, the amount of money that's just sitting on the sidelines right now. Now, all that to say, we still are internally cautious about it. I mean, you don't want to even lose 20% yet alone if it's higher than that. And so that was one of the reasons why we picked healthcare in general to go after because it's got such a good risk return profile.

And there's VC groups and even multifamily groups. They've got IRRs in the high thirties or high twenties even, but there's a risk associated with that. We kind of shoot for that stable 18% across the board. The way we finance and financially engineer our deals is that solid 18%. And if you've got a good healthcare group, I mean the SBA says that dental has the lowest default rate among almost all of the different types of industries that they track. So it's very safe. And so we kind of thought about that at the beginning when me and my partner started working together. At the time, it was recession resistant, but now we've realized it's pandemic resistant, it's inflation resistant, and then you combine that with a national retailer who's got great credit, really strong financials. If they're going to pay the rent, they're corporate guaranteeing the lease, then you're mitigating the risk as much as you possibly can and you've still got a building.

David Phelps:

Yeah, no, I don't disagree. I'll always say in the terms of how I look at my investment, particularly in the cash flows, which is what I like, whether it's a business, a dental office, dental business, or the real estate, I don't really care what the interest rates are. I care what is the sustainable, predictable income, and now I look and see what the financing makes sense, right? At some point, if the financing doesn't make sense, then values will come down, but I'm not saying that they don't come down in all sectors.

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David Phelps:

The other thing to keep in mind, I think as we look at interest rates and demand that there's a risk premium, and you mentioned risk. So if interest rates go a bit higher or stay higher for longer, as they say, which I think they will, but again, there's going to be some volatility. It's going to be some ebb and flow. I think the thing is, investors are going to say, well, if I can get 5% on a short-term treasury, and again, I know you're offering a much higher return, which makes sense, but if I'm looking at other nominal returns on other investments, I've got to get a higher risk premium based on what I can get with no risk, which is basically treasuries, treasury bills at say 5% or wherever the number is, a little bit below five right now, but that's what people look at. So the risk premium in the marketplace today, not just in real estate but against corporate bonds, high yield used to be called junk bonds, that risk premium is really tight today. There's not much of a spread. And what that speaks to is that there's a lot of complacency, a lot of exuberance in the marketplace and kind of everybody, and that's kind of leading back to the Trump mandate is everybody feels good.

And I'm not saying that's a bad thing. I want optimism in this country. I want this country to feel good. And I think that's why Trump won because they got sick and tired of the other side just playing everything down saying, you're all victims, and here we're going to give you handouts because you poor people, you can't buy a home. And people are like, that's not really what we want here in this country. We just want a chance. And I think Trump gives that chance until we have optimism, which I'm a huge fan of. I think we just have to keep that in mind as we look forward. So I don't think you and I disagree philosophically on what we do. As I said, I don't really care what interest rates are. If you showed me a product or an asset class that produces a certain amount of income, and I think that's sustainable.

Like you said, dental, that's kind of like a walled garden. It's very sustainable. Healthcare in general is, I mean, we have to have healthcare. So let's just say you put a building with good healthcare operation on it, that's pretty darn good. If you do all the vetting that I know you guys do, then yeah. Now the risk premium, if I'm shooting up somewhere in the mid-teens, I'm going, okay, did that make sense? I'm willing to take a little bit higher risk. How much risk is it? Well, I get to know you guys, what you do, your track record go, that maybe helps me mitigate some of that risk. So that's my quick take on what you said. Does that fall in line with you?

Austin Hair:

Yeah, yeah. No, that does. And I think we always got to kind of keep our optimism at bay a little bit by being prepared about the downside, but I think that's also a little bit what's happening a little bit differently now than 2008 per se, because not a lot of people were talking about the downside in 2008 and they see a lot of people cautious right now, and they have been.

David Phelps:

Do you see people cautious right now? I'm curious. I mean, I'd be interested. I don't see it. I don't see people cautious at all. I see people just piling on to everything. I think there's lack of it. But

Austin Hair:

Yeah, I mean, I guess I'm only speaking anecdotally, I see memes on Twitter and stuff like that where people pointing to the stock market a lot and saying like, oh, Warren Buffett is sitting on all this cash. So that's what I mean is he's pulled out. And so people are kind of pointing to that sort of thing and saying, be careful.

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David Phelps:

I think smart, sophisticated people who have been through cycles, yes, they are. I just think I see the majority of people, even if they've been through cycles, are going, I forget that it's a new day, so no, I'm with you. You have to put some caution out there. I agree.

Austin Hair:

Yeah. Yeah, exactly. And look, I am fully vested in everything. Public equities and real estate, and I mean, I'm bullish long term on real estate. It would really be painful for me if this were, we'd lose a lot of money if we were to have a real recession. So I do have a dog in the fight, but also there's obviously different levels that you can be conservatively bullish. So with real estate right now, interest rates are 7%, meaning that we're probably going to have to come up with 35% for the down payment to meet their debt service coverage ratios. So we are only leveraging 65%, and when you put that kind of money down, you're not going to have to foreclose on that type of thing. You're like, sell your personal assets. So I think that always keeping an eye to the downside, that's what I mean by cautiously optimistic.

David Phelps:

Yeah, no, I think I a hundred percent right. Talk a little bit about niche asset classes. What are some of the things you're seeing there that you're really strong on and why?

Austin Hair:

Yeah, so I've got a split focus right now, which probably probably not a good thing, but one of the things that we've been doing recently that's very niche is wedding venues. And so this was just me and my wife, not involving my current partner, but we got into Airbnbs a while ago because we had this duplex doing long-term rentals downstairs, and we decided, well, let's try this short-term rental thing and worked out great. I mean, this was back in 2015 when I bought this house. And then same thing, I had a long-term rental that I hated managing. I was like, money's not good. It's a headache. I want to sell it. Let's just try Airbnb. They ended up doing really well. Everybody started asking us they could get married there, and we're like, no, you can't get married here. We have a bunch of neighbors.

This is a residential house. So anyways, they ended up doing really well, and I was getting a third one, and I found this place. I was like, man, you could do weddings and events here. There's no neighbors. It's on a lake and across from a gas station and a church. And sure enough, everybody wants to book it and do events, and it's like, it's just pure extra profit. And so we acquired another one in March, and now that's an asset class that I'm really excited about. In addition to the healthcare, it's funny that with healthcare real estate, you're creating a bunch of equity when you do a new construction development, both interest rates being really high, cashflow is not great. And I know you mentioned you like cash flowing assets. So the way around that is by refinancing. So with healthcare, a healthcare building, commercial real estate retail center, we'll refinance that and try and get as much of your equity back as possible.

So it really lowers your cost basis. So now any cashflow is a significantly higher IRR. And then on the fifth year when we had the rent bumps, we can refinance again. Usually you'll be a hundred percent caught up if not more by that stage. So that's kind of how we do that. But you're creating a lot of equity long term, and then the wedding business, you're not creating a lot of equity, but there is really, really high cashflow. And right now they're really hard to finance. So I think that's actually the opportunity because banks don't really know how to lend on this type of thing or they're not willing to. And so it's like they're making great money, but they're not assigning a multiple to the ebitda. And so I think there's an opportunity to go in and pretty much buy these assets for the value of the real estate.

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Austin Hair:

And then my theory is that over time, maybe five years, maybe 10, eventually institutional money will start chasing it more, not chasing it right now, and then hopefully there'll be lenders in place and then you can sell for a multiple of EBITDA in addition to the real estate, kind of how most businesses around the world operate. So that's just like a niche asset class that we're excited about. And when I say wedding venue, I mean that's at a house that you also sleep overnight guests, so you can fill your calendar between Sunday and Thursday because a lot of these places just, they do one event on a Saturday and they live there. They're not generating any revenue Sunday through Thursday. So I think there's a lot of opportunity in that. We actually take on all the risk of the due diligence costs and the down payments and stuff like that early on.

So by the time we're raising money, we're past that risk period. We've gotten approval from the city and we're ready to purchase the land and close and break ground and that sort of thing. So usually we'll convert our payment, our money that we've invested into LP shares, which is about 10%, so we're about 10% of the partnership at that time. How it works is investors get an 8% pref until a capital event. Pref means preferred return, so you're going to accrue 8% until capital events. So if it's a year or two years or whatever. And then our goal is to return as much of the equity as we can during that refinance because like I said, we've made a significant value add. You take a vacant piece of land, you build a building and you put in two or three credit worthy tenants, you've created a lot of value.

So the banks like to see that. And so the reason that we actually refinance it as opposed to flipping it is because when you flip a property, your IRR is the highest. It's true, but IRR doesn't account for taxes. And so that's a crazy thing that I always, I have a hard time reconciling everybody who flip says, we'll do a 10 31. It's really hard to do a 10 31 with a six month timeframe. That's a good deal. I mean, I've seen so many bad 10 30 ones, maybe you can do it. We've not personally been able to do

David Phelps:

It. It's tough.

Austin Hair:

Yeah, so Warren Buffett says his favorite holding period is forever, and so I get that too because I'd rather hold an asset and refinance it. Then I get that money back tax free. Now, it's not going to be as much even after taxes right now with interest rates higher, you're still probably not going to have as much as you would if you flipped it, but you hold your equity in the deal, you still on your ownership, you're still collecting quarterly distributions, which they're not going to be a lot, but it's something. And then in five years, you still own the asset. You can refinance it again, right? Pull all of your money out or additional more than you put in and then continue to get the cashflow. And then at some point in time, five years, 10 years, 15 years down the road, if you do want to sell it, you've built a lot of equity. So we just think that if you're somewhat confident in the area, if it's not some, look, if you've got a tenant that's paying above market rent in an area that's a small rural town that you don't really know a lot about, that you're not excited about, yeah, those make sense to. But if you like the fundamentals of the deal, we just think it makes sense to hold

David Phelps:

When it comes to analyzing data for making any kind of decision where math or finance is involved. It's important to look at that data. But I think there's a two-pronged approach. Sometimes we can get too deep in the weeds with trying to look at too much data, trying to perfect our decision making process and remove all risks from the equation. Well, in real life, that doesn't exist.

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David Phelps:

So the question always comes down to, well, how much data is appropriate and what data is most important? And thirdly, if I don't do something all the time in terms of looking at certain data and analyzing it, who can help me do it? And I think that really comes down to finding experts in the area that we're looking into, whether it might be practice acquisition, it might be financing, it may be leasing a site who has the ability to look over our shoulders and pull out the important pieces that we should look at. Kind of like having a dashboard is the way I look at it. I don't need to look at all the data. I couldn't do it take way too much time, but somebody who's been there, done it and can say, here's what's important to look at. Here's what you need to be aware of in making your final decision. That's the way I look at data today. Don't do it by yourself. Find someone who's been there and can help you look at the right data and make the right choices.

Speaker 3:

Our guest says, while analysts are awaiting a soft landing for the US economy, he thinks a recession could unexpectedly hit our neighbor this year.

Speaker 4:

Well, the rally that we've seen so far in the s and p 500 has been tremendous. It is the best year to date gains of the 21st century, and in fact, over the last year, it is up as you can see, 33% more than that on a total return basis. It is partly for that reason that our next guest says the s and p has simply overshot. He's warning of some potential downside in 2025.

Speaker 5:

Warren Buffet says A real estate storm is coming over $2.6 trillion of debt looming over the US real estate market. And by the way, Warren Buffet is dumping stock as we speak. He's dumped. Most of his Bank America stock should tell you that he knows something that you need to know.

David Phelps:

There's a lot of talk in the media and the press today about do we have a recession coming or do we not? And I think that we have to always realize that we can't time anything in life. The economy runs in cycles. We know that for a fact. We've had up markets and down markets. We've had the bull runs and the recessions or the corrections for over 160 years. So they happen on a regular basis. We just don't know exactly when. I think that the caution we have to bring to the table is that a lot of the market cycles are driven by sentiment. That means consumer or investor behavior or psychology or the thinking process. We've seen this over and over again when markets hit certain highs. People want to pour more money into investments because they don't want to miss. It's that fear of missing out syndrome.

David Phelps:

We has to be careful during those times and not get so headlong into the same sentiment and find out later that the market was at a top and a recession or correction was going to ensue. So learning how to ladder investments and take chips off the table, take profit, put certain profits behind what I call a wall or a moat to protect those investments and not put those at risk is important. It depends on where you are in your career path, in your livelihood and how much debt you carry today, how much additional capital and margin you have in terms of how much risk you can take. If you've got more time in life and less responsibilities, then maybe you take more risk. If you're later in life and you're going to be at a point where you'll have less time to be actively involved in creating income, then maybe you take more chips off the table and take less risk.

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David Phelps:

It's never a one size fits all. You've got to figure out where you are, understand the market cycles, and be aware that many people will get caught in a market cycle and not realize that they should have taken those chips off the table at an earlier time, learning how to create more financial security, more freedom, and generational wealth beyond just money takes hard work and a strong team around you to mitigate market volatility and prepare for both opportunity and the challenges ahead. It's a path you take. It's a journey of self-awareness, growth, and expanding what you thought was possible. The ones who have taken this road less traveled have discovered life-changing relationships, financial freedom, and a passion and purpose for life beyond that hamster wheel. If you're willing to brave traversing this path to create true wealth and freedom, then my team would love to discuss how we can help you. Go to freedom founders.com/discover to schedule your call. That's freedom founders.com/discover. And don't forget to hit the like and subscribe button wherever you're listening or watching so you don't miss a single episode of the Freedom Founders Podcast. I'll see you next time.