

154 TRG Transcript

Mike Stohler

What if you could be doing something smarter with your money that creates income. Now, if you're wanting to get ahead financially, and enjoy greater freedom of choice, if you want a comfortable retirement, and you know you'll have more choices, if you can do more with your money. Now, if you've wondered who else is creating ways to make their money work for them, and you want actionable ideas, with honest pros and cons, and no fluff.

Welcome to the Richard geek podcast. Where you here helping people find creative ways to build wealth and financial freedom. I'm Mike Stohler, and in this podcast, you'll hear from others who are already doing these things, and learn how you can too.

Everybody, welcome back to another episode of the Richer geek podcast, we have a returning guest just because he's so special with us. We have Brian Davis, Spark rental.com. He's a real estate investor, personal finance writer, founder of Spark rental. He owns fractional shares in over 1500 units. And he's a real estate and personal finance expert. Everyone knows these names in the US News World Report bigger pockets and go bacon rates. How you doing, Brian?

Brian Davis

Michael, thank you so much for having me today.

Mike Stohler

Yeah, you know, it's a pleasure. And you know, we just wanted to reconnect to spend a couple of years since you've been on the podcast, just see what's going on in your world, you know, just how you've dealt with, you know, you're an expat how you dealt with. We get a little bit about with COVID and just maybe being a investor in all these different areas. Not living in the United States. So let's go back a little bit with your background tell, remind everyone who you are how you got started.

Brian Davis

Sure. So I got my start in real estate right out of college, I totally fell into a job with no intentionality whatsoever. My stepdad knew a guy who owned a mortgage company, a subprime mortgage lender, this back in 2003, when subprime mortgages were all the rage, I'm sure you remember. So I started working for this guy and his company. And it quickly

came to light that he and his partner really needed someone to handle their own personal hard money loans that they were lending as opposed to the the regular Fannie Mae and Freddie Mac, kind of mortgages that the company was doing. So I started doing hard money loans for real estate investors watching guys make money hand over fist, doing flips, doing burr deals, all that stuff. I'm like, I could do this, I could do this myself. So I plowed all my money into those properties. And then 2008 hit and I totally lost my shirt. And as a lot of airy, very expensive. Yeah, yeah, it was an expensive set of lessons. But rather than turning tail and walking away from real estate entirely, I kind of looked at those losses as two Wishon as the cost of education, for real estate and real estate investing. From there, I went into the online space because I could no longer make any money as a hard money lender, right? Because no one was doing that anymore. You know, no one was flipping houses anymore. No one was buying and renovating deals anymore, even though it's probably a good time to buy and hold deals. But yeah, there was no money to be made. And that's why that totally changed jobs, you know, in the midst of all my investments totally melting down. But I got into the online space doing deals, or it was legal forms for rental investors and landlords. And so I learned online marketing and how, you know, size company works or an E commerce companies. And in 2015 split off and I guess not, I guess it was early 2016 split off started spark Renault with a former colleague of mine, and it has taken a lot of unexpected turns over the years. You know, our product suite has evolved in ways that we never expected. In fact, the last time you and I spoke on this show, speaker was current main focus was not even a twinkle in our eyes yet. So ya know, it's been a fun journey. Yeah,

Mike Stohler

it's, yeah, it's amazing. You know, catching up with people. You know, sometimes you're on podcast, you're like, oh, yeah, I wonder what this guy's doing. And just to see that you've kept on it. And you know, everybody's spark rental. Or en ta l.com. Go check it out. For everyone out there where you live in O'Brien.

Brian Davis

We just moved to Lima, Peru. We were formerly in Brazil. We are in the capital city of Brasilia. And before that we were in Abu Dhabi, the capital of the UAE. Yeah,

Mike Stohler

I just noticed this, like, every time I come across you, it's like on the guy does a state put, you know, he's always in these. But you know, that is the greatest thing, everybody about

being a real estate investor doing your own thing. You can live in an RV, you can live in Peru, you know, you live on a mountaintop, as long as you have internet connection, you can do your job, and it's just fantastic. So let's talk to us a little bit about your concentration with Spark rental, we're going to get into a little bit about how our listeners can be passive investors. But what's your concentration is on right now? Yeah,

Brian Davis

so let me back up just one moment, when we first launched spark rental, we thought that our main business was going to be property management software, specifically designed for small landlords, your mom and pop landlords with three units, five units, 10 units, you know, people who are working on related jobs, and you know, just wanted to own some rental properties and aside, and we do offer that we do offer that to this day. But what we have discovered is that our audience is more interested in both learning, real estate investing, and also joining us in investments. So when we first started hearing feedback from our audience, you know, the first thing we heard was, you know, how can I learn more about this aspect of real estate investing or that aspect? So we built out this huge blog, we've got, I don't know, 450 500 articles on there. At this point, we started a podcast, we started doing webinars and online classes, we created free online courses, we created a premium online course, all about, you know, how to build passive income from real estate reach financial independence from real estate. And then as we started digging into what our students wanted from there, and then, you know, having more of those one on one conversations with actual paying students of ours, what came up again, and again, is, can I invest on with you guys? Like, can I invest alongside you guys in some of the deals that you're doing? And, you know, Danny, and I at first was like, No, we can't do that. And then we were like, well, maybe we could do that. So we experimented with a couple of single family home investment properties, where we opened it up to our students to a lot to invest alongside of us. And it was intended as sort of a learning tool, but also a way to, you know, earn while you learn or learn while you earn, if you will. Yeah. And then, you know, we did a couple of those. And that was way too much work, right. I mean, it was, it was a lot of work, and not a lot of money, you know, for the amount of work involved. So we kind of went back to the drawing board. And we were like, Oh, this is not making sense. financially. It's, you know, it's taking way too much of our time. And it was around that time that I discovered passive real estate syndications. And I, you know, I started investing in some of those by myself, you know, individually. And I went back to Danny, and I was like, what if, what if we did this as an investment club for our students? And, you know, she's like, Is that legal? So we had to talk to some attorneys and figure that out. But it turns out, it is legal. So we did, we launched an investment club, a real estate investment club, around passive investments, syndications, specifically, and every month we invest in a new syndication deal, we propose it to our club, and whoever wants to

invest in it can do so no one has to do anything if they don't want to. But the big differentiator is that it's \$5,000 minimum per club member to invest in a deal instead of the typical 50 or \$100,000, that you normally need to invest in a real estate syndication deal. So it's a huge difference there. We also only do deals that allow non accredited investors so we can keep it inclusive for all of our members, all of our students, and not just the wealthy ones. But you know, for the wealthier people, too, that lets them spread their money among a lot more deals, right. So, you know, even if you have all the money in the world, it's still nicer to to have more investments, you know, spread across different states, cities, different operators, different types of properties, you know, self storage, mobile home parks, multifamily, you know, even outdoor hospitality, you know, like RV parks and campgrounds. So, yeah, we're really big on diversification, letting people spread smaller amounts of money across more deals.

Mike Stohler

And it's very interesting, you know, there's, I believe you might be the first one or maybe one of two that allow non accredited investors. You know, usually it's like, Oh, my God, you know, it's just, I don't know this I only do accredited investors, my syndications. What are some of the challenges or differences I know it's a different reg eight standard reg D. Still a lot more paperwork, a lot more scrutiny. Tell us a little bit about the paperwork that, you know, some of my listeners might have done some accredited stuff. But when those that are non accredited, what can they expect when they get started?

Brian Davis

Yeah, so that's, I'm glad you asked that question. So we are not syndicators ourselves. We are not selling securities, we don't take a cut of any of the money that's invested in any of these deals. In fact, quite the opposite. We invest our own personal money and each one of these deals. So we are not, we're not raising funds on behalf of syndicators, you know, we're not, again, we're not selling securities. So that means that we can only invest in 506 B deals, or, you know, a small number of other regulatory types that allow non accredited investors in the deals that we propose in our investment club, so, you know, that does restrict us some. But that's a price that we're willing to pay to stay inclusive, so that all of our members can participate in every single deal. Now, in the future, we might start offering some bonus deals that are accredited only. But our our pledge, and our promise to our club members is, on average, every single month, or on average, once a month, we're going to propose a new deal, and it will allow non accredited investors and you can participate with as little as five grand

Mike Stohler

I mean, that's fantastic. It's just it does, it opens up all these, you may say younger people that are just getting started and want to learn it or say, you know, because I know, I was just reading a Wall Street Journal article that said, the younger generations, they really shy away from the stock market, they're actually looking for alternative assets to invest in just because, you know, that's what grandpa and dad did, you know, in the stock market, and they pulled their hair out. So, what, go ahead, go ahead, Ron.

Brian Davis

Well, you know, I was just gonna say, so a lot of people, you know, millennials in particular, who were reaching their, their young adult years around the crash of 2008 really saw their parents suffer during the stock market crash, and maybe too, with real estate, right, because real estate had heart, then as well. But I think that left a pretty deep impression on the millennial generation in particular, you know, watching their parents stock portfolio was cut in half. That left an impression on them. Now, Gen Z, you know, who is now reaching their young adult years, they were pretty young then. So it may not have left as much of an impression on them. But I think for a lot of people who were in their late teens in their 20s, you know, for the 2008 crash, watching their parents retirement nest egg, you know, get cut in half over the course of a few months. And that was really terrifying for their parents and scary for those young adults to watch and to witness. So yeah, I think you're right, that a lot of young adults today are very wary of the stock market. You know, the stock market obviously had a great bull run during the teens. You know, obviously 2022 was not a great year for stocks but but ya know, I think I think that left 2008 and the Great Recession did leave a some scars in the memory of a lot of young investors.

Mike Stohler

Yeah. And old and you know, everyone's awesome. Yeah. That's why I diversify. Definitely. Yeah. So what is your average time someone comes in, they give you \$5,000. And quarterly dividends, you'll tell us a little bit what they expect, what what's what's kind of the flow of your investment? Sure.

Brian Davis

So what we do is, when a deal comes along, that we think is a good fit for our club, we'll email all the club members, and we'll schedule a face to face or online face to face meeting or you know, a video call with the sponsor of that deal so that our club members can grill them in real time, ask them questions directly. It's really important to us that

Danny and I are not the ones who are betting deals on back half of the club members, you know, we vet them as a club. That's probably also an important distinction legally. You know, we're not the ones who were vetting this, it's, you know, all of us together are vetting these deals. And then anyone who wants to participate in that month's deal, just lets us know by email, we create a new LLC, we open a new joint bank account for that LLC, specifically, we you know, we gather all the investors funds in that new joint bank account, invest in the syndication deal. And then, you know, our joint bank account gets paid out with distributions once distributions start which could be As soon as a couple months, or it could take a couple years, you know, depending on the deal, right? And what we do is we elect a treasurer for each deal. And that treasurer will redistribute everybody's distributions back out to them, you know, as they come in, typically, quarterly is how often we do that, you know, regardless of whether the distributions get paid monthly or quarterly, just keeps things easier for the, for the treasurer, or if they can send them out quarterly. But yeah, everyone gets their, their cut, proportionate to what they invested. And when the when the syndication closes, you know, when they sell the property, or if they refinance for infinite returns, everybody gets paid out, again, proportionally to what they invested. And

Mike Stohler

how did they find how did they come across these these deals? Is each club member just submits it? Or are there other GPS that come to your club? How do you?

Brian Davis

Yeah, so that's, that's part of the service that Danny, my partner and I are offering here is we network with sponsors, we get on all of their investor email lists, and we just keep an eye on on deals as they come down the pipeline from all these different sponsors that allow non accredited investors. And in it, when we see one that looks promising, we send it out to the club and say, Hey, this is a deal that we think looks promising for this month, we've scheduled a call with the sponsor for you know, two days from now or whatever, you know, come Come join us. We're going to grill the sponsor together, we record the meeting and send it out to anyone who can't make it. And if we don't end up raising enough money from club members to meet the minimum investment for that deal, we basically consider that a no vote by the club, and we move on to the next deal. So, you know, that doesn't happen. Often it has happened once. So, you know, again, it's, it's, it's a democracy, right? You know, then you and I aren't telling people what to invest in, we're not vetting deals for them. We're just passing along deals that we think are a good fit, or that look promising. And then we vet them together as a club.

Mike Stohler

Yeah, it's really a cool way to do it. For me, I think that's the only one that I've seen where it's like an investment club, and you kind of pull your resources, pull your thoughts, pull your knowledge together, it's really cool. And we've been talking about your investment club. And so I know everyone's going to go spark rental.com and say, Okay, how do I get in this investment club? What's it all about? Once they hit your website? What do they need to do to learn more about the investment club?

Brian Davis

Sure, so just click on the menu bar co Investing Club. And we have a little 86 second animated video that explains it. Or you can read about how it works all the details on that page. The only cost is a flat monthly or annual fee. Again, Danny, and I don't take a cut of any of the investments that would be selling securities, which we're definitely not doing. So yeah, it's a flat membership fee to belong to the club, all the deals are optional. So you can pass on deals that you aren't failing, or you can invest in all of them that you like. So

Mike Stohler

that's very cool. Because they go into like a member portal, and then they click on some stuff. And here's the list of all the different goodies and the things that they can invest in and, and then diversify their portfolio. What are some of the things you know, single family, short term? What are some of the things that you're working on right now? That are open? Yeah. So

Brian Davis

it's not a list of open deals, I just want to clarify that. We pass along new deals every month. But then you know, they're only open for a short window, and then they close, because most of these are real estate syndications, right, where there's a one time raise that the sponsor is, is raising money for and then they and then they buy the property and renovate it and so forth. So it's not there isn't a list of open investments, if you will. It's as deals come along, we pass them on to the club, anyone who wants to participate can have you know, but to answer your question on what we're investing in, the bread and butter is really multifamily value add syndications, because those are just, you know, the easiest to find. There are plenty of those to go around. So, you know, you can think of them as glorified flips, right? You know, someone buys a rundown apartment complex, they go in,

they renovate it to add value, raise the rents appropriately, and then turn around and sell the property or refinance it and keep it for infinite returns, right where you we all get our money back that way instead, and keep collecting cash flow even though we've gotten our investment capital back. But yeah, beyond multifamily apartment complexes, we again we love diversification. So we are open to all types of real estate deals. We've done industrial properties, we've done mobile home parks, we've done retail Well, we are in the middle of looking at a self storage deal. We've also we've even done a note, you know, it wasn't a syndication deal at all, it was a short term note, just to mix things up and offer something a little bit different, you know, more of an income oriented investment. So yeah, it's a mix. But again, the bread and butter multifamily, you know, apartment complexes, but we try to mix it up as much as possible. Different sponsors, different markets, different types of properties. Yeah, diversification is our our number one goal.

Mike Stohler

Now, if there's any GPS out there listening to our podcast, and they're like, Oh, I may have another audience for my syndication? How does the GP get ahold of you go to spark room.com? And or what's?

Brian Davis

Yeah, yeah, you can either email us at support at Spark on.com or email me personally, Ryan at Spark rental.com

Mike Stohler

Oh, there you go. Now, what's very cool, when looking at your website, is just all the freebies, just all the stuff that it's like, I even want to dig into some of these, you know, so tell us about some of these, you know, the calculators, the cash flow, calculators, loan amortization, compounding stuff, just all the interactive type stuff. So talk a little bit about all the free tools in the knowledge and education center that your site has actually become.

Brian Davis

Yeah, so you know, some of my favorite on there is we create these interactive maps that we update every quarter. And it's things like, where which real estate markets are cooling right now, which has been a big question over the last year, right. You know, two years ago, there were probably zero markets that were cooling. But, you know, at times over the last

year, there have been several 100 markets that were cooling, and seeing, you know, price declines. So, you know, maps like that, you know, we have real estate heat maps that show the average property value by county, and a whole bunch of other just interactive real estate maps that are, that are fun for investors to look at and play around with. You know, we have a map for cities by grm, or gross rent multiplier, just to give you some ideas of, you know, which cities offer a pretty good price to rent ratio, right? To give you some fresh ideas, maybe where to invest, that maybe you haven't heard of before or haven't considered before. But yeah, we also offer a whole bunch of free calculators, rental cashflow, calculators, IRR, calculators, gross rent multiplier calculators, you know, there's, there's depreciation, calculators, there's, there's all that stuff on there, they're just fun to play around with help you make more informed real estate investing decisions. I know that when I first started buying rental properties, I wish that I had sat down and run those numbers through a real estate cash flow calculator, because I probably wouldn't have made so many bad investments. But you know, you because you do have to take into account those irregular expenses like vacancy rate, and repairs and maintenance, you have to take into account property management costs, even if you plan on managing the property yourself. Because you know, first of all, you might get hit by a car tomorrow and not be able to manage those properties yourself anymore. Or you. Even if you do continue managing yourself, it's still a labor expense, right, so you're gonna calculate the returns of a rental property, for example, versus like a stock index fund, one of those just completely passive, the other one takes a lot of your time and labor. So it's apples and oranges, if you aren't accounting for the cost of that labor, even if it's your own labor. So anyway, I'm going on a bit of a tangent there, but

Mike Stohler

a lot of people don't realize that the big brother, the government, at some point, you're going to need to take a salary, you can't just work on your five or six or 10 rentals, and not take money at some point. You know, they're gonna want to see some type of seller taken out. So you do have to do consider that because I didn't want to, you know, when I got up into five and 10, I'm legal now I'll just take an owner's draw just once in a while, you know, because I don't need the money. And the CPA goes, now it's time to start taking something out. So you have to do that. And yes, man did I wish you know, I started investing, you know, we talked about this, I call it the PG pre Google days. So I didn't even know that what those terms were, you know, and there was no one there to teach me. So everybody, you have no excuse anymore. Spark rental.com And they have every freaking calculator. You know, I'm looking on the site, you can compare loan terms, you can compare crowdfunding platforms you can calculate till the cows come home, basically, you know, all the different stuff, so please go to sparkler.window.com and just play around. And you

know, and learn what those different terms are that we've been discussing. Just absolutely. Yeah, go ahead.

Brian Davis

No, I was just gonna say you mentioned the crowd. Funding comparison, I've invested in many, if not most of those real estate crowdfunding platforms myself, mostly so that I can speak from experience in reviewing them, comparing them talking about them on our site, there are a handful of them I really like and I invest a pretty significant sum of my own money in. But I have invested in a lot of those myself, most of them myself. And, yeah, it's a great way, if you are very new to real estate investing, you dip your toe in the water, investing 10 bucks on a platform like Fundrise, or, you know, investing in a platform like ground floor can be a really easy way to get started with in real estate, in a passive way, when you're not ready yet to get into a syndication,

Mike Stohler

right. Yeah, exactly. And you also have a blog where, you know, everyone is very informative. You know, I'm looking at a couple, you know, what are squatters rights? You know, you don't think about that all the time. Until you until you have to, and, and, you know, another thing, I'm sure, Brian, that, you know, is depending on where you invest in what state that's also something you really have to worry about. Now, you know, if you're a squatter in California, you know, good for you, because you could live for free for, you know, six or seven months or more. Arizona, you know, you know, five days in, you're out and the cops will show up change that, you know, and can kick you out. So, you know, tell us a little bit about some of the state laws and some of the things you have to kind of worry about when you invest in things. Yeah,

Brian Davis

I'm really glad that you brought that up, actually. So, this is maybe politically incorrect. But so we created this an interactive map on the side actually of anti landlord laws. Yeah. Because that's really what they are. I mean, the cities and states that have aggressively tenant friendly laws, that's tenant friendly at the expense of landlords and investors. Right. And this is a little bit of a, you know, a personal hobbyhorse for me, because I got burned so badly by how tenant friendly Baltimore City's laws are. I mean, the laws are super anti landlord, or every judge in the city is super anti landlord. So, yeah, I mean, I've had tenants take 11 months to evict, living rent free. And when I finally got them out, they punched through every single cabinet in the kitchen, they scratched up all the floors intentionally. I

was that kind of thing is a lot harder to happen in states with more investor friendly laws. Right. So that is also one thing that we look at, with our, with the deals we propose in the CO Investing Club. Yes, we want as much geographic diversification as possible. But we try not to invest in areas with very anti landlord laws and regulations.

Mike Stohler

Yeah, and, you know, again, it's not a political thing. It's called a smart business decision. Right?

Brian Davis

Yeah, because it has a very direct impact on your bottom line. It's not an opinion thing. It's about money. It's

Mike Stohler

about money. And we're trying to run a business and we're trying to make money for investors. So those are things and that's where I learned during COVID. It's like, whoa, you know, there's another thing that I have to worry about is, are you going to shut me down or not? You know, not only are the landlord friendly, but are they just got to shut me down. Yeah.

Brian Davis

And now that that is a risk that we all have to take into account as investors, right. That that play of eviction moratoriums, that's in the government's playbook. Now, the precedent has been set. So when it becomes politically expedient, again, for governments, whether that's the federal government or state and local governments to institute an eviction moratorium, they will do it when it's politically expedient, you know, five years ago, I would not have considered that a realistic risk. Now, it is the precedent has been set, and very tenant friendly states and cities are going to be much more likely to impose eviction moratoriums in the future than more investor friendly cities and states.

Mike Stohler

Yeah, and it's a shame you know, because, you know, we're the we're the big bad rich people. If you found my private jet, you know, let me know where it is. Guys, Yeah, cuz

they, they apparently think that all the landlords out there just have money to burn. Anyway, so your podcast, talk a little, a little bit about that. Ever, but I was just on Brian's podcast. It was. It was very cool. Where can they find your podcast?

Brian Davis

So We broadcast our podcast on Facebook, on YouTube, we release it on all the major podcast platforms, you know, iTunes, and so forth. We do it once a week. It's called the live off friends podcast. And it's casual. It's short and sweet. We try to keep the episodes to 1520 minutes, try to condense as much information as possible into, you know, as short amount of time as possible, because we're all busy, right?

Mike Stohler

I tried to talk fast when I was on it. And I was like, Okay, let's go.

Brian Davis

Well, you know, because, yes, we've all heard podcast episodes that were an hour or two hours long that were interesting, and were in depth conversations. But even if someone recommends, to me this outstanding podcast episode, that's two hours long. I'm gonna be like, Oh, do I have two hours for that? I don't know.

Mike Stohler

I'm not in LA traffic.

Brian Davis

Right. So you know, but everyone's got 15 or 20 minutes, right? Absolutely. So that's why we try to keep them short and sweet.

Mike Stohler

So before we leave, where can everyone find you? You know, Spark real.com? LinkedIn?

Brian Davis

Oh, yeah, yeah, we're on LinkedIn, Facebook, YouTube, Instagram in all the major social platforms. And you know, you can reach out to us by email either support Sparklin Allah calm, you can reach me personally at Brian at Sparkman en.com, we're very accessible. We answer all of these emails ourselves. We don't have a whole bunch of minions out there. Answering these emails for us, we're very much a mom and pop company. And that's important to us. That's the core value of ours to be, you know, a little little quirky, a little, you know, to be small and mavericks and, you know, be very personal.

Mike Stohler

Absolutely. And I think everyone appreciates that, instead of just being in number at one of these large private private equity firms. It's like, Well, I actually get to talk with the owners in the general partners. Brian, it has been wonderful, is great to see you again. Everybody. Again, Spark rental.com. There's no excuses anymore. You have the site with all the information. I'm actually gonna go start playing around on it. But Brian, thank you so much for being on. Take care. Thanks for tuning in to the richer geek podcast, where we're helping others find creative ways to build wealth, and financial freedom. For today's show notes, including all the links and resources from our show, and more information about our guests, visit us at [www. V. Richard kake.com/podcast](http://www.V.Richardkake.com/podcast). And don't forget to jump over to Apple podcasts, Google Play Stitcher, or wherever you get your podcasts and hit the subscribe button. Share with others who can benefit from listening and leave a rating and review to get the podcast in front of your eyes. I appreciate you and thanks for listening