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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, honest pros and cons, and welcome to the Richard geek podcast work here helping people find creative ways to build wealth and financial freedom. I'm Mike Stoller, and in this podcast, you'll hear from others already doing these things, and how you can

Welcome back to the Richer geek podcast. We try to highlight all the different ways you can diversify your portfolio, especially if you're still working. If you were seeking a way to gain passive income with the high yield, you'll want to listen to this episode. We welcome Jonathan total fund manager at Midwest Park capital, where he provides accredited investors with exclusive access to high yield investment in the mobile home park vertical. You may have never thought about investing in mobile homes. We'll wait until you hear what Jonathan has to say.

I'm happy to introduce Jonathan Tuttle. How you doing, Jonathan?

Jonathan Tuttle

Very good. Thanks for having me on.

Mike Stohler

It's a it's a it's a blast. You know, I'm really looking forward to digging in and learning about all the truths and myths about mobile home parks. And I think there's a lot I think, so many people say they know that mobile home parks are a very good resource to invest in. But I think they're a little bit scared of it. But before we dig into that, tell me a little bit about yourself and where you're from. And how did you get started in real estate?

Jonathan Tuttle

Sure. Great questions. Well, I was fortunate, my dad was a real estate guy. So growing up, he had three real estate brokerage offices. He developed about 80 to 83 Custom Homes, single family homes. And then later on around 2005 he got his first Park and that's when I knew I was gonna get into real estate. Just growing up with it being a little kid, but around to you know, 2005 God's first Park Exactly. You kind of said this. I was like, What are you buying a mobile home park? What is this? That was the reaction you want to tell my friends on, like after seeing the what it was doing, because that was rape, rape before the downturn. And over the next five years, we had that first part for about seven years, we had a great off, we had to take the solid. But it just blew my mind that how resilient that industry our industry is, during downturns, which we're starting to see again this year. It's so that's kind of the first exposure to it. Just grew up doing sales jobs, get into real estate around 2010. broker side, brokered until around a couple years ago, and now I have a fund and actually I'm infoproduct in the space and mobile park space.

Mike Stohler

Oh, what? Tell me a little bit about that. I mean, that's kind of a, you know, interesting part. That did you your first outside of your father? Was it a mobile home park? Was that the first asset that you actually purchased on your own?

Jonathan Tuttle

Yeah, yeah, exactly. Exactly. Then we had two more. We got 2011 and 13 was the next two parks. So yeah, I just like the resilience of it. And all the economic I got really comfortable with it, because it was just so resilient. And beauty about what kind of what you alluded to the fact that not everyone knows about it, or they kind of have a stigma. It means it was it was it's getting a lot more harder now because people are dying fall into it. But at that time it like 710 years ago, it still had the stigma. And so it was a lot easier to get into it. And you know, they say the riches are in the niches so I like I like to go more of a blue ocean and compete with everyone.

Mike Stohler

Well, that's right. Yeah, the there's mobile home buying and flipping is not on HGTV yet. So that's when you know that you're still you're still okay and you can still make some money because every every young kid out there is not buying it yet, you know and getting in trouble. But let's say you keep talking about resiliency, and that's very, very important. And today's market and believe me, I know Yeah, I've really Change just in my aspect in the hotel business on what to buy. And I've just completely changed my criteria, and even different avenues. So it's interesting, you're saying that the mobile home parks have been resilient, and you've, you've been through it in 2008, with your father's and then you're able to buy towards the end of it in 11 and 13. So tell me about the resiliency and what your you found, did it dip it or what was your what's your reaction towards it?

Jonathan Tuttle

I mean, it's such an incredible asset. They just have data that came out about a week ago from green sheet data, which aggregates all institutional data from all different commercial, you know, different asset classes, and the only two that have actually gone up in value this year. Were mobile, home parks and industrial industrial because of e commerce. All the stores are closed. Now that makes sense. But you could open industrial zoning stipulations, you could open up the cities while allowing other faraway spaces. However, the manufacturer mobile home parks, are landlines committees, whatever you want to call it, is the it's almost impossible to get the new zoning approval.

So that's what keeps that that's one of the factor to keep this supply and demand you have 65 million Americans need affordable housing about 12 million mobile homes are about 44,000 parks, and you can't develop it's almost impossible and or music conversion like an RV conversion. So it's kind of same demographic anyway. And or if you're looking from an investor's standpoint, you're developing a subdivision if you're developing subdivision might as do multifamily hotel, you know, or even a residential subdivision at that point, cuz you're not gonna get your return for three or four years we rather buy mobile home park this cash flowing right away, and you're not bringing it home by home by home and marketing it like that. So that's the data really get backed up.

Also, while she journal had an article, he goes on February of this year, will 2021 this actually air but and Neil alluded to the fact that during the lessons, the last housing crash, mobile manufactured housing has done the been the most resilient been just killing the market, basically. And it basically comes down to supply and demand. And there's different types of parks. So like you mentioned the stigma. But there's also like SR parks, they do really well. One of our parts is SR parks.

And that's just like a retirement community. It's not you have 70% of America, 65 70% of America lives on Social Security, and they have low savings, the other 30% can afford, you know, assisted living the luxury resorts, but who, who serves that 70% and or, if they're competing, have they're looking at a local apartment, like a garden community. So apartment complex is usually half the price than that. Plus, if you get an older, you don't want to walk up and down the stairs, you want to be able to park your car right next to your house, you walk right into your house, you have a sense of community, you don't have neighbors, not gonna you know, knock on your door above and below, you're yelling kids screaming at that. So let's look at some of the benefits you see in the factory from the tenant side. From the Buster side, it just something it just has this resilience because the lot rents are one third the price of a house in the same town and one half the price of the apartment. So the cost for it, it serves that need for affordable housing. Why does so? Well,

Mike Stohler

it amazes me, but all the all the whining and you know, with the city governments in the counties, you know, affordable housing, affordable housing, we need more affordable housing. But you can't do mobile home parks.

Jonathan Tuttle

Right? It's crazy.

Mike Stohler

Yeah, there's that stigma again, right? You know, it's gonna it's gonna put a blight on the neighborhood on what's going on. You know, even though it can be I've seen some very nice luxurious, and they kind of mix in some RVs with the with the mobile homes, and things like there's some really nice ones whole communities with pools and fitness centers, and just you know, the whole thing. How does it different are the ones that you concentrate on? Do the, I don't know if you call them tenants or if you call them homeowners? Are they? Do you own the the manufactured house? Or is it a mixture? Or you know, are they renting just the pad? You know, how does that work with? Do you rent out the mobile home itself? You know, or do they own it?

Jonathan Tuttle

Yeah, no. So there's a couple ways there's a couple different business models ideally what you want is it's like a land lease or you basically own the land and you own as few as homes as possible. You're not a landlord you're not you know, you want to keep that on them. So basically they own the house. Plus I didn't mention this earlier but like the taxation for example in Illinois, I want my California to have the highest but I want my specific real estate taxes, astronomical lni, California obviously also the two broker states are so behind that like you have 150,000 house and you have like a four or 5000 or tax. Bill, distancing, if not higher. So if you have a mobile home, you have the same school, same fire live across the street and the mobile home park with your $15,000 mobile home, whatever it's worth, you say that's a good, good range. And then you're saving 300 400 500 bucks a month on taxes. So that's kind of like your equity. So for the tenant side, so it's really beneficial for them to own it, because a, they're saving all this money in the taxation. So and the average tenant says 1415 years, and then you're basically getting the same on equity, you don't have all the repairs, you know, the park owner maintains the grounds besides their yard. So you have all those advantage. And then so ideally, and then also for like Fannie and Freddie, for financing, they've really looked into our space and really been hugely pushing the last like five years. 10 years ago, you couldn't really get Fannie Freddie, you know, people familiar with Fannie, Freddie is the kind of financing it's the best terms, non recourse 1012 years, the lowest rates, it's actually lower than multifamily right now, they really like our space, a because there's a kind of a duty to serve to kind of help people think they have a special name for it. But this, they have to allocate 35 or 37%, towards affordable housing.

And who's the biggest recipient of it mobile home parks, obviously. So we're getting these terms are like 2.73% rates, which is like unheard of, which is also bringing down the cap rates, because then you know, the man everyone wants to get into it, you can't develop new ones, and then you get Hey, you could also get the greatest financing out there. So there's like this huge mix of which is causing this explosion or industry you're seeing Blackstone just buy 550 million additionally, about a month ago, in mobile home parks in Florida, you have Apollo group buying billions over the next couple years, the sovereign wealth funds, all the big players are getting interest basically see the value of it besides like Warren Buffett, and Sam Zell going into it for you know, last 20 years. But yeah, ideally what going back to questions, ideally, you want to have them own it, and then you have less you want the less liability.

And then a newer parks, newer home are actually about 80,000 for a single or double it 80 then some of the homes go up to like 120 or 40 for like really, really nice ones. You couldn't tell if you were in like a luxury house or like a luxury, you know, you're in Chicago, Miami, like apartment, it's like, everything top notch. And there's a There are over 100 grand, so it's not really affordable housing at that point.

Mike Stohler

Well, now what kind of as as an owner and investor what kind of you hit on a little bit? What kind of cost you have, because most of most of my listeners know about multifamily and the expenses involved with owning an apartment, it seems like what do you have? Because it's almost like a triple net. It's like a land lease, right?

Jonathan Tuttle

Yeah, you're very spot on with that. It's, uh, the beauty about our niche is going to the cost is one of the the cap rates haven't been higher, usually about one and a half, two point higher and a comparable asset, like multi family is because of the expense ratio, usually, on a non institutional product, like a non like, let's say under 5 million or under like 20 units, you're probably about 35 40% expense ratio. And the more institutional with the bigger management 42 to 45. When you're looking at apartments by 5560. That's comparable. And the beauty about it too. Most people don't know this, and they're kind of Mind blown by this. So multifamily, it's great asset because you have the 27.5 year depreciation schedule, traditional commercial, Real Estate's 39. Yep. Land improvements, land improvements, well, the land the streets, and actually every house, especially in the Midwest, that's what you know, we focus on the cement pads, that's considered land improvements, you could write off 65 to 75% at a 15 years. Give her a mind blown by this. And then if we and it goes back to other question, if we do on the houses and it's not, then it's 27.5, like multifamily. So you could write off when you acquire it. It's one of the most advantageous tax structure it I think it is the most advantageous for real estate.

Mike Stohler

And then you could do probably cost segregation.

Jonathan Tuttle

Yep, exactly. Gonna

Mike Stohler

bring it down to their engineers.

Jonathan Tuttle

Yeah. And bonus depreciation. While that's still around. We'll see what changes by the time this comes out. Hopefully I'll keep that.

Mike Stohler

Yeah, yeah. Well, we'll see.

Jonathan Tuttle

Ya know.

Mike Stohler

Yeah, that's another story we'll get into. Well, wonderful. So you're doing this. And you're bringing on investors under the name Midwest, Park capital. Tell me a little bit about your Is it a syndication? Is it the fund? What is it?

Jonathan Tuttle

Yeah, it's a fun, it's a real estate fund. We're doing 10 million raise. By the time you see us, we might be fully subscribed. We got some family office meetings coming up in the next group during the holiday. We had a we you know, there's just a week after election. So we had a lot of people kind of waiting to see what was going to happen with the whole elections. Now we're circling back now we're getting some like capital coming in. But yeah, we're doing $10 million raise. We're doing 7030 split.

So it's really advantageous to the investors Eight to 10 year hold. Obviously, like I said, we have literally built an all star team. So we're focusing on Midwest because as a higher cap rate, that's where we're from. On top of that. It's not as institutionally owned. So right now in our industry we're seeing we're, it's probably it's the least consolidated of all big commercial real estate, even though the big players are coming in, but that's going to change the next four or five years. So the ideal is like humilate, like two or three font like three funds we're looking at, and then sell it to an institutional player, because that's what they like to buy, they don't like to buy, buy, like I mentioned, Blackstone buy 550 million, they don't want to buy a one off $5 million dollar Park, it's not worth it when they you know, billions of dollars sitting in the bank.

Management, exactly scale economics as he makes sense, then, so yeah, and we built an all star team, everything from the best phone administration's software, it's got 100, the software we use has 100 billion under management under management, the biggest property manager in our space with 33 years experience and 35,000 last even management, Palos properties, and then really seasoned Park, CPA. So we have a CPA that knows all these little tax advantages. So and then everything's really transparent with Nimbus, private capital, we have fully online transparent, like portal and holy calls, and we just really want to provide this often confusing, unique niche way for people to pass up. We do all the work, you get all the advantages of it.

Mike Stohler

And what is the understand this passive, kind of what's the return was the yield? What's your preferred rate? You know? How do you set it up?

Jonathan Tuttle

Yeah, connection. That's our target 15 ir that's comfortable. We know the cap rates have been compressed. There's a three point spread, you know what that 10 year Treasury has come down to like, you know, below. One is, obviously it's crazy right now. But a three year spread. If we get of institutional financing in the low threes. We know even at a six cap, we're in the craft, we're in the, you know, cash on cash and teams from day one. But we're seeing that this was one thing, two things we're seeing, we're seeing a lot of these because most of the people like you mentioned, her mom and pops have had these for a long time. And you know, it's institutional are coming into space. So they're getting more crazy offers thrown at them, who knows on the due diligence if they'll go through or not. But there, they have their expectations set higher, and the cap rates have gotten really compressed compared to what it used to be. That's why we like the Midwest, because we have an extra one or two points. But we're seeing cap rates, like a couple years ago, 10 cap was like the commonplace like, Oh, you got a mobile home park. It's 10. Cap, you're getting cash in cash. You're getting 20% plus returns, it was crazy. Now, okay. This is the only one of the few real estates is exceedingly well, and everyone you can't develop new ones. And there's huge demand for it. Okay, well, let's do a six cap. And you're seeing fives and fours in like, coastal cities, which, yeah, if you're on Blackstone, it makes sense, but not rocks.

Mike Stohler

Yeah, that makes sense. Because Yeah, they they're just looking at, they don't want the 10. You know, the 10. Cap, they don't want the 10 return. It's just it's a it's a bond for them. They're just, they're just making their institutional investors. Just a percentage, you know, some very small percentage. It's very interesting. Now, I was looking on your site, your bio? Have you done this in the past about flipping them? I mean, are you? What is? I mean, what is that all about? So yeah,

Jonathan Tuttle

so we know, because our fund is for accredited investors, which in general terms basically means you have to make 200 plus a year, half a million liquid, not including your house. Yep. So I want to have a solution for the everyday person to get involved in the space. And like you mentioned earlier, the TV shows, yeah, there's nobody else that's one of our value props, there's everyone else is telling you to flip a house. But if you go to a conference, and there's 400 people in the conference room in the same town flip going over the same 10 properties, do you think you're gonna get a nice return. And on top of that, you have to get a get a loan from the bank, you have to have good credit you need that, you know, 20% down right now, Chase, I think right now with the new new laws or regulations, I should say, this is an avenue for people everyday person to a help the affordable housing because if these houses don't get remodeled, or maintained, they get torn down or put in for new ones.

They're like the new $80,000 you can make solve the affordable housing for every Americans to have a 1015 $20,000 house or if you're in a coastal city, you can make at 100,000. I'll flip over there because the houses go for hundreds of 1000s or even what you mentioned that mentioned some of slept like paradise Cove and Malibu. It's a mobile home park, where the houses are like three to $6 million. Matthew County, he lives there. Pamela Anderson used to live there, but it's right on the beach. And then right next door, you have 30 $40 million houses. So I think at the same view of the same beach without the tax bill, so neighbors hated the neighbors like oh, you know, what is low key like hey out, and there's also one which is pointing on the other side that goes and Hamptons, there's another mobile home park. It's called billionaires row.

And there's like three or four billionaires live in there. And they they get away from the Hamptons. And it's like these classic, you know, these classic getaway houses for the billionaires in Wall Street. So it's kind of funny, but going back to what you said. So it's getting like the people that want to get away they have those. But then every American, it's a great way to like, either find something and flip the contract or remodel flip. You know, so we just show them step by step. And we bring out a lot of the people that nobody really would have access to, because it's kind of like a good old boys or old school very, like you said, there's not a lot of information about it.

So we wonder, provide a way, affordable way to help people make an extra income, especially now with COVID, especially now people losing jobs serve as affordable housing, you already have a huge demand once you get a home. And you can a typical flip and a small flip, you're making four to 6000. Or if it's a decent size 10 to 15,000 of flips. So if you do one a month or a few a year, you're you're in a good shape. And it doesn't take a lot of work, because it's not like a house, if you're going to tear down you can't tear down. Like all the like the outside. It's like a shoe box, like you can't really besides painting and putting some shutters on it and putting it back if you want to. You can't be like, Oh, I want to put new windows, expand the windows, because if you oversize the windows, how does allow that it could the frame collapse?

Mike Stohler

Yeah, yeah.

Jonathan Tuttle

Putting in carpet, paint, you know, some news, like some good, most minor basic thing, and then you use social media and Facebook marketplace and Craigslist and market it. And it's basically arbitrage and you control the market.

Mike Stohler

Yeah, you know, it's not like you're putting granite,

Jonathan Tuttle

right. Don't even do all unless, unless you're like a market that needs that. But they actually the less you do, as long as a new one looks clean, that's what they want. They just want a clean, affordable house, they don't, they're looking for a luxury apartment less. That's that niche, there's a market for that too. But the everyday American, you could put a couple grand and that's what makes a beauty buy, they have a nice, clean, safe place to live, they're going to be happy. Because they're saving all that money in rent, they're saving all that money taxes, and they get the same school, same fire and they have their own yard. And the same time you're making potentially a six figure income and we've done it many times on our parks. So I've been using some of the ones from our, our parks as examples in the course, like here's what we did, here's how to do it. Here's all the resources. It's online. It's called mobile home Academy.

Mike Stohler

There you go. And it's just fascinating. And I know that our our listenership is just going to eat this up when it comes on. I appreciate you being on today. Now how can people reach you, because I know that they're going to, they're going to want to learn more.

Jonathan Tuttle

I appreciate that. Thank you for having me, I was fun and entertaining. So the fun if you're kind of asked here, if you want to just get some general information, same as in the Midwest, Park capital, Midwest, Park capital.com. And that's kind of gives you the general, you know, overview. And then the web's the other website, if you want to see the ppm, which is a private placement, the actual fund documents and all that, that's Midwest Park capital fund calm, or call us in a three, three MHP fund. I don't know how I got that. And then for the mobile home, Wildcat, and for anybody else that just wants to, I have the basic I have two funnels go up and I'm the basic easy remember mobile home wealth Academy, there's like a little drop your email in there. And that gives you first access to that. And that's coming out. I don't know when this comes out. But this will be come out in the next month. So the mid December, will making sure we have more content and that just blows people's out of the water. Make sure that they see it. We even have a one year guarantee on it money back and we'll give you $1,000 back if it doesn't work. That's how much you believe in it. So I'm good. Well, that's the mobile home off Academy.

Mike Stohler

Oh, sounds fantastic. Well, thank you, sir. I appreciate it. Good luck to you. And I am sure the listeners are going to just eat this up. Take care of you, buddy. And thank you for listening to another episode. 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.Richergeek.com slash 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 could benefit from listening and leave a rating and review to get the podcast in front of more eyes. I appreciate it. Thanks for listening