

**EPISODE 805**

[INTRODUCTION]

**[00:00:00] ANNOUNCER:** Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

**[0:00:21.8] WS:** This is your daily Real Estate Syndication Show. I'm your host Whitney Sewell. Today, our guest is Mike Ealy. Thanks for being on the show, Mike.

**[0:00:31.7] ME:** Hey, thanks for having me, Whitney. Thanks for sharing your platform with me, man. I love to talk and listen. Let's do it, brother.

**[0:00:38.8] WS:** Mike has acquired over 1,200 apartment units and, together with his partners, they own and manage over \$1.8 billion worth of hotels. He is on a mission to acquire 100 hotels right now to help save thousands of jobs while delivering double digit returns for his investors.

He says he's proud to introduce a real estate expert who thrives during economic downturns and published author and a family man. Love that, family is so important to me as well, Mike. But grateful to have you on the show. I mean, congratulations on your success. Very few people get up to that many units and that much capital, really under management, their worth of real estate.

So, I'm looking forward to getting into your story and especially hearing some about the hotel side of the business right now, Mike, but give us a little more about who you are maybe where you're located, and your focus?

**[0:01:27.8] ME:** Yeah, well, I want to talk about family for a second you brought family in there. Hopefully, your family loves you. Okay. I don't know if they love me, alright? I'm just kidding.

Start off the basics, man, I started off house hacking. Simple two family, 1999, I rented one unit, I had no construction background at all, I couldn't paint and I was upstairs painting and they told me to go back downstairs. I ended up getting that unit rented, got me a roommate, my mortgage payment was \$700, and that was the beginning of me living rent free. From there, we bought more multi units with no money down techniques, cash back at closing. Those were the good times. You could have picked your appraiser back then, that doesn't happen anymore. But then 9/11 came and I lost everything, and I wish I could blame it on 9/11, but 9/11 had nothing to do with it. We just didn't budget right. We didn't have reserves, escrows for everything, and had two full-service car washes as well.

Then, I got back on it, moved in with my mom and dad and worked my way back out of it. We start doing multi units, and single-family houses, flips, start obtaining investors, and then what happened? The market crashed, a great recession came. I seized my opportunity because when I lost everything, which for some, "Oh my gosh, you lost it all." But actually, it was a great learning lesson because, from there, I learned how to do short sales, I learned how to buy non-performing notes, I had to handle bankruptcies. Through that economic downturn, I restructured multiple debts, I bought bad debt, I restructured and made a good debt performing. I got in the low-income tax credit properties, and from there, I went from 10 to 20 properties over five, six-year term to over 600 units, to now, today, we have 1,200 units and multiple hotels.

**[0:03:38.6] WS:** Nice. Well, it's an incredible story, and I wish we had time to dive more into that because it's interesting, you lost everything at 9/11. I appreciate it, you say, you wish you could blame it on 9/11, but ultimately, some other things there that calls to maybe to lose it all, but you've learned a lot and you didn't give up. I mean, you had to move back in with mom and dad, and then you started again and you jumped back in, you made that happen.

Could you just elaborate on that part of your journey, just a little bit of that difficulty? Or it's probably where a lot of people were saying, "Mike, what are you thinking? Why are you doing that? Go back and get a W-2," or something else. Did you experience that? How did you battle that to where you are willing and had the confidence to come back?

**[0:04:20.4] ME:** Yeah, that's something I experienced all the time, man. No matter what you want to do in life, people are going to judge you or question you, and understand that some will call them haters, right? It's not that they're actually hating, it's just they're fearful for you. They're actually concerned and that's all they know. That's all they see. When I lost everything, first of all, real estate was all I knew. I didn't tell you before, I kept getting fired from my jobs. I did corporate. I was fortunate to learn as an intern with Cincinnati Bell and corporate was not me. I learned that at an early age. Then I started working in the different field of construction. I learned just working for people just doesn't work for me. I have a different way of how I want to accomplish things.

But I personally was able to see people succeeding. You may see this today, you see that jersey over there, Jerome Bettis. Fortunately, in college, his business manager is one of my good friends and that's how we came to know Jerome Bass. That's just one avenue, but one avenue, I got to see somebody, make it to the NFL, be successful in business, and do extremely well and, even to this day, Jerome Bettis is still managing the empire.

I got to see other buddies that graduated from college, and they were managing and restructuring some of these football player's money. Then, from there, we met multi-millionaires and billionaires. And I was like, "Oh, my gosh, I got to do it." They struggled as well, but it showed me that it was possible," and for a lot of people, all they need to know, it's possible. Then that was it. You give me a little bit, "Oh, you could do that? I'm in!" I have no clue what I'm doing and that's one of the reasons I fell apart. "Well, you could make money like that. I'm in!"

**[0:06:19.0] WS:** It's probably another reason why you made it too though now.

**[0:06:23.0] ME:** Yeah.

**[0:06:23.8] WS:** So, Mike, let's jump into the \$1.8 billion worth of hotels that you have in your portfolio right now. I'd love to dive into that asset class a little bit, because you see, you talked about your bio, how people are surviving in that right now and hotels, just the downturn, how it's been affected, what you all have done, what you see now, but I think you're on the buying side

right now, right? And you're jumping back in. The hotels, even though there's probably a lot of people running, so a lot of times, that's a good time to buy.

So, just dive into that a little bit in just your hotel portfolio, maybe what's happened and how you're managing that?

**[0:06:56.2] ME:** Yeah, I think Warren Buffett, he says, "When people are fearful, that's when you should be greedy." People are being fearful, which is understandable. I mean, I'm more calculated risk here. First of all, I believe the hotel market will come back. It's come back through the Great Depression, it came back in a Great Recession, and it will come back through this COVID. Because, look, it wasn't that the economy was doing bad, it strictly was COVID. What's the solution? Get a cure to COVID. I know I'm saying it like it's so simple. But actually, in these last two days, they already announced that Pfizer has a vaccine that's 90% effective, 90%. That was one thing. I don't know if you know, I'm going to veer off for a second. I didn't know if you knew, but as long as a vaccine, when they go to the FDA, as long as it proves 50% effective, they pass it.

**[0:08:02.7] WS:** That's scary. Yeah.

**[0:08:06.1] ME:** I was like, "Wait a minute! Wait a minute! You mean, so half the time we'll take these pills, it may not work?" That's why I'm not going to be the first guy to take the shot. Okay. I encourage other people to, but not me.

**[0:08:21.9] WS:** All right, back on the hotels.

**[0:08:23.5] ME:** Yeah, there you go. So, with COVID, but we knew we kind of knew the timeline, because actually I had a lot of people that work in research and development, and they knew that a vaccine will come out. With that vaccine, that was the solution, but it will be a time lag. Meaning, even though we have this vaccine, there'll be mass production, the market is not just going to come right back. It's not going to be like 2019. In actuality, now that this vaccine is coming out, there's going to be a pent-up demand and the public perception will change that, "Hey, I can actually go out and I won't get sick, and if I do, I can get treatment at the hospital." Therefore, you're going to see an uptick in the market, in the traveling market, in the retail

market, and therefore some hotels will move from that 29%, 30% occupancy to 40% to 50%, which is the breakeven point.

With that in mind, they then can hold on for the long run because the market will come back. In 2022, occupancy will be back, '23 ADR we'll be back, which is your average daily rate, some in apartments call it a monthly rent, we call it in hotels your daily rate. So, when that comes back, the market will be back, car to the market won't be there like the business traveler because of Zoom and people not traveling, but it's going to take about three years to get back there. When you do, now, you're buying these deals for pennies on the dollar, and now, instead of making a two X multiple, you're making a five X, seven X, eight X on your deals. So, that's why we're going after hotels, long story, and remember, FDA is 50% effective and 90% sometimes, okay.

**[0:10:11.5] WS:** Appreciate you bringing that to light. It's something to think about especially, I mean, how a vaccine could affect the real estate market, and specifically, hotels. It's really neat to think about that. I love the quote from Warren Buffett as well. We've seen it through so many cycles, and people still get fearful and jump out and there's a few that jump in and make it big.

What are your thoughts on somebody getting into the hotel space right now? So, maybe we talk about that as a passive investor first, they're thinking about, "Okay, is it time to invest with somebody like Mike in hotels?" What are some things, maybe they're looking at other operators, what should they be considering as a passive investor or questions they should be asking that operator that's looking to buy hotels right now?

**[0:10:50.9] ME:** Well, so as an operator, if you're looking to invest and you need to operate, you want to look at an operator that made it through the last Great Recession number one, okay? Because that's everything. Then number two, you want an operator, or owner sponsor, developer, that understands restructuring of the debt, because that's one of the key things. Now, even though we're going in assuming the debt, unless you're paying cash, you got to restructure that debt, because, understand, most of these hotels that we're buying, and we're buying branded Hilton, Marriott, IHG, and for those who don't know, that's like Holiday Inn. When you're buying these hotels, in that 8 to 10 million, your cost a month to operate is in that 80 to 115,000 a month. That's including taxes, insurance.

So, a big portion of that, almost 30,000 to 50,000 of that, is going to be mortgage payments, taxes, and insurance. Your first thing to control the burn is to restructure that debt. When you get a forbearance, when you go interest only, when you're going to speed the taxes, and then you bring enough money in to cover the burn, because that burn could last six months. It could last until March, it could last all the way into July, it can last all the way in 2021, '22.

Those are some of the key things and just knowing that they have experience because, unless you're in the area that is what we call transit in demand, transit meaning like over there in Mount Rushmore or down in Florida, where people are still traveling. Look, some of those guys may still hit their numbers for the year but, where there's hotels, where there's dependent on business traveler, those are the ones that are struggling, those are the ones that are hitting in that 20% to 30%, while other hotels are averaging 39% to 43%.

Those are some of the key things you want. When you invest, at least in a hotel, know that you won't make any money that first year, unless, again, you're in these areas where the hotels are already performing over 50%, then you probably will make some money. But, if you hold in for the long haul, and you budget it, I can't guarantee you, but I'm pretty sure that you're going to do extremely well once the market comes back, because people are going to travel. There's a lot of people that want to get out.

**[0:13:26.9] WS:** What about that investor that invested, say a year ago in some hotels that aren't doing so well right now? Should they be trying to hold out? What should that operator be doing right now? I know you mentioned this a little bit, but I'm just trying to think on the passive investors side, they've already invested, maybe they don't feel so good about that investment now.

**[0:13:42.7] ME:** It's all on the plan they have. So, with ours, we use a perfect example. With ours, we manage properly. Now luckily for me, if you remember, I said back in 2000, you know, 9/11, I didn't budget for reserves or escrows. I didn't save for that rainy day. Well, guess who saved for those rainy days this time?

So, we had plenty of reserves. We are fortunate enough to get the economic disaster loan and the PPP, which got us through all of that, and we still have reserves left. Then I'm hoping, but if

not, we'll be fine, but if we get another round of that PPP, man, we'll do extremely well. If your sponsor, your developer, your operator has a plan and has healthy reserves, hey, I think you can hang in there if there's some upside, but if you bought at the top of the market, you bought retail, it could be a long haul. You may want to get out of there.

**[0:14:42.5] WS:** Mike, what's been the hardest part of this syndication business or journey for you?

**[0:14:47.0] ME:** The hardest part of syndication was learning how to syndicate. I was terrible at raising money. Here's a couple of things, I had to overcome a lot of my fears. I know you see me on this station, and I'm just talking away, but I wasn't really a talker. I know you can't tell but asking somebody for their money, some people are scared to talk about how much they make a year. Now, you're asking them to give you 50, 100, a million bucks? And so, I had to get over those fears, number one. Then, number two, I had to learn how to do a pitch. When you're pitching, it's not about you. So many people make the mistake, like, "I'm doing so great. I'm doing thousands of hotels, and I do this, I do that", which you do. You do float the ego a little bit.

But it's really about what you can do for your client, what your deals can provide for them, what kind of cash flow, what kind of relief. By investing in this, what emotion can you help them with? Once I learned that, that's when my closing ratio went up. Because for, like, a year, I wasn't closing anything. I mean, we get a hundred there and a matter of fact, I remember, I got a million dollars from an investor and I turned it down, because it wasn't the right fit.

Listen, I'm going a whole year then I finally get somebody that wants to give me money and I got to turn it down. I had a great track record, and finally, I got tired. I got tired of being sick and tired. I was like, "What am I doing wrong?" And I studied more. I dug in deeper. I watched people who were doing it and I simply went on the internet and I found two pieces. From there, it changed how I got people to invest with us.

**[0:16:38.8] WS:** Can you speak, Mike, to hotels versus multifamily, right now, in the real estate market and what you see over the next 6 to 12 months?

**[0:16:47.1] ME:** Now, without a doubt the apartment market is a solid market, even with this COVID and moratoriums. Although we expect that we'll see a decrease and we may see some properties that are not managing, they're struggling because people can't foreclose or they can't short sell on, I still think it's going to be a tight market for apartments, because there's just so much money on the sideline. I know brokers and realtors, they go to these apartment seminars or conventions, and I had four different brokers say they talked to 30 different people. Each one of them said, man, every single one of them said they had 20 million, 50 million, 100 million. When I think a deal comes out in apartments, people going to overpay still. So, you may see a discount, but I don't think it's going to be that much.

Hotels over the next few months, I think you're going to see a bloodbath. I think the hotels that were already struggling, they're just going to close the doors up. Now we're getting into winter. For most people, our peak season for hotels, if you're in just your standard location, from March to about October, you're doing this, and then right around November, December, January, you're doing this, and then February, you start coming back up again.

I think people are going to start running now, because this is when you've got to dig in. This is normally where your reserves take you over the winter. But if you've been feeding this thing since February, and you're a hotel owner, whether you small or big, whether you own five hotels, or 50 hotels, some of them are like, "Look, I don't have enough money to feed all of these. I got to let something go." That's what's happening, and I think you're going to see a lot more of that.

**[0:18:41.0] WS:** Mike, what's a couple of daily habits that you have that you're disciplined about doing that's helped you achieve success?

**[0:18:45.7] ME:** One of the first things I do is a wake up, pray and meditate. Take a deep breath, I need to get back in the gym. I know you see I'm kind of a big deal with my hulk, but hulk had not been working out.

But no, I pray, meditate, and I'm actually jotting down things I want to accomplish every day, when where I want to get to. I'm constantly reading something or finding something to continue to motivate me even though I am self-motivated, and those are the things that we work on.

**[0:19:19.1] WS:** What's a way that you've recently improved your business that we could apply to ours.

**[0:19:22.2] ME:** I think one of the things is just really checking in with your employees. A lot of times, people will get comfortable and they just leave things aside and I was guilty of that. But you have to have constant check-ins. You got to check in weekly, and you definitely need to check in with your employees once a week, make sure they're on track, because, if not, they waver a little bit. Once you continue to do that, let it waver, you got a mess.

**[0:19:52.4] WS:** What's your best source for meeting new investors right now?

**[0:19:55.0] ME:** Surprisingly, social media, these podcasts, LinkedIn, and it's not that I'm out there asking for money at all. I'm not asking at all. We share information. We're adding value to the community, and when people see that you're adding value, people begin to gravitate to you because these are things that they need, and they want to learn more, or they see like, "Man, this guy is confident and consistent. I want to be a part of that." They call us and reach out and they want to invest.

**[0:20:25.8] WS:** What's the number one thing that's contributed to your success?

**[0:20:29.8] ME:** I'm just relentless man. I just don't quit and have great people around me. All of them just drive, drive, drive. Win, he's of our systems managers, he's just relentless. A partner, Nate, relentless. They keep working at it until they perfect it and once it's perfected, they still continue to work at it to make it better. So, there's guys like them, even Kathy, our manager, continuously, their work ethic is just amazing.

**[0:20:58.8] WS:** I wanted to go back just for a second, I've got another minute left. But I wanted to ask you just for any tips that you have for that weekly meeting with your employees, also agree that's so important. Is there a way that you structure that or the KPIs that you use or anything like that?

**[0:21:12.9] ME:** I mean, I keep it simple. Look, I'm not the one that wants to just micromanage people. First, I'm not the greatest manager, that's why I'm not managing or everybody, but what

you do want is to make sure that, whatever goals that set, whatever we have, you just make sure that they're obtaining them and make sure they're following up. I mean, it's kind of like when playing sports, you shoot your shot, you just got to follow up.

When you have your employees that have certain tasks, you just got to follow up and make sure they're doing it. That's one of the keys there, but setting goals, and as a leader, they see that you're moving forward as well.

**[0:21:57.0] WS:** How do you like to give back?

**[0:21:58.7] ME:** We got a couple ways we like to give back. One, I like doing where I'll just share wisdom through my Instagram post or LinkedIn on how it is to continue to win. We also give through a football program. Next year, we'll have over 100 kids in this football program that we'll sponsor, and then we have the church where we actually give funds through the church to help people in their time in need. So, there's multiple ways we do that. I can't say there's just one way, but however we can do and when we do it, I love it. I do it because it will come back to you multifold.

For all of you that are like, "I don't know how to give and I don't want to give my money. I need it." Man, just give it away and watch it come back to you.

**[0:22:43.2] WS:** Mike, I'm grateful for you sharing that and just grateful for you sharing your story today. Being transparent about just really losing and having to move back in with mom and dad, that would be a hard blow for most and most would not recover, I think, but thankfully, you did, and just came back through that. I'm grateful for that, but then also hearing from your perspective now of having \$1.8 billion worth of hotels under management, that's incredible, amongst the 1,200 apartment units, but just your thoughts on the market, hotel versus apartments, and what we should be looking at in hotels as a passive investor, now and over the next year, through the winter, all those things. So, grateful for your time, tell the listeners how they can get in touch with you and learn more about you?

**[0:23:24.0] ME:** Yeah, sure they can reach me at [nassauinvests.com](http://nassauinvests.com) and you can join us at our Facebook group, Apartment Investing Secrets, where we share all the secrets of real estate and

we just give it away. You're in a community where you can talk about experiences and learn from other people's experiences. So, if you just go there, you can find us at any given time, and we're always sharing multiple content.

[END OF INTERVIEW]

**[0:23:58.2] WS:** Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

**[0:24:39.2] ANNOUNCER:** Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at [www.LifeBridgeCapital.com](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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