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## FULL TRANSCRIPT

Spencer Sutton: All right, everybody. Welcome to our podcast. This is the Birmingham Rental Investor, and I am one of your hosts, Spencer Sutton. I've got Matthew Whitaker with me and also our special guest today is Bryan Miles. So we're pumped to have you Bryan, so say hey to everybody.

Bryan Miles: Well, thanks. Hey everybody.

Spencer Sutton: All three of us have known each other a long time. So we thought our first guest, it would make a lot of sense for Bryan to be on and super excited that you're here, Bryan.

Bryan Miles: Yeah, me too. Glad to be here.

Spencer Sutton: This is great. I mean, I love this because Bryan was really the very first investor in Birmingham that I got to know pretty well, and when I say investor, he was the first one that had been doing it for longer than I had. I think Bryan, maybe we even competed on a house against each other. You were trying to buy a house, I was trying to buy this house. Is that the way you remember it?

Bryan Miles: No. I remember where we met you and Roland at a house in Roebuck that I went to look at to purchase from the two of you.

Spencer Sutton: From us? That's right. That's right.

Bryan Miles: Yeah. It was a circle. [inaudible 00:01:25]. I remember that, but yeah. That's where I met the two of you, was at that house.

Spencer Sutton: I think I went and looked at that house too, and I think Bryan beat me on that house. Then we all three met on the famous Cherry Avenue house, right?

Bryan Miles: Cherry Avenue. I think I walked in it before you did and I was sorry that I did.

Matthew Whitaker: Yap. Had a few fleas on it. I was glad that you went and cleared out all the fleas for me before I went in.

Spencer Sutton: He got the majority of them on his legs. So yeah. So I do remember these very early days, Bryan eventually came and started working with me and Roland and buying houses for us. So we would send Bryan out to look at houses. He knew Birmingham like the back of his hand. He had already bought and held rental properties. He was the expert that we needed because at that point, Roland and I really we're not experts. So our relationship grew. Then of course Matthew got to know Bryan over the course of just joining the Home Investor franchise. And then eventually, what year was it Bryan that you kind of went out on your own? You bought with some partners, a Home Investor franchise. Was that around 2006?

Bryan Miles: Five, if I'm not mistaken. The latter part of 2005, and then we saw a market shift in 2007.

Spencer Sutton: So you had a good year. You had about a good year, year and a half.

Bryan Miles: Yeah. Had a good year. That's right.

Spencer Sutton: Yeah. Matthew and I had a little bit of a head start on you as far as good times. But anyway, we're excited to have you here because again, we still look at you as an industry expert. You are still out there buying, selling rental property, wholesaling houses, flipping houses, Bryan does it all or has done it all. And so that's why we're excited to have you on this podcast.

Matthew Whitaker: Yeah. Bryan, do you have any idea how many homes you've bought and sold in your career?

Bryan Miles: I don't know. We got back into purchasing and selling in 2014. I think it was December of 2014. And since 2014 probably have done around 25 to 30 per year. It's 39 last year, 2019.

Matthew Whitaker: Wow. So in your career though, because you worked for a group prior to working with Spencer and then you worked with Spencer and then you had your home investor franchise and then you had your own second home investor franchise, which we're partners on, just for disclosure sake. But are we talking 500 plus homes?

Bryan Miles: Yeah. I would say probably something like 500. And you know, if you think about the GK houses days, the beginning of it, we had the privilege of going out and buying houses for an investment bank. That was a lot of fun.

Matthew Whitaker: So the point is that Bryan knows his stuff for Birmingham. I wanted to establish credibility. This guy knows ... I always tell everybody when I'm explaining Bryan, you can tell him the street and then you can describe the house and he'll know which house you're talking about. That's how good Bryan is with Birmingham.

Spencer Sutton: As a matter of fact, I did that recently actually. I called Bryan about a house, a Roofstock investor had called me about, and we were talking about it and I said, "Let me talk to somebody who's going to know a little bit more about this area." So I talked to Bryan about it. I called him and he was like, "Oh, I know the house. It's on the corner there in East Lake, and the thing you have to watch out about that house, it's a beautiful house, but it's surrounded by apartment complexes." That's something I didn't know, the investor didn't know, so I thought it was very, very good information that I was able to pass on. So tons of credibility for Bryan Miles.

Matthew Whitaker: So Bryan, let's get in. Let's start talking about your strategy. What are you doing today? What is your current strategy for buying homes, selling homes? Are you wholesaling a lot of homes? Just kind of give us an update on what you're doing right now.

Bryan Miles: Doing a little bit of turnkey. We've got five or six houses that are in some process of being turnkey. They're being worked on or they're on the market sale. We've got three flips going on at this time and East Lake is a beautiful story today. It's amazing what's going on in that 35206 zip code. Then we're in Trussville and we're in Moody is where we have our flips right now. And I'm going to look at an apartment complex today and we would go in six up to the apartment complex and put what's referred to as bash certificates in that, which is our veterans. That's what would take place with this complex.

Matthew Whitaker: Very cool. So you're doing a lot of different things.

Bryan Miles: Yeah. Yeah. Very little if any wholesaling right now. I had a phone call with Spencer the other day and last Monday, a week ago Monday, backed out of the first contract I've ever backed out of with what's going on today in our world. I just got antsy, got scared. Now, was able to put that seller in touch with a wholesaler that did buy the property that same week, which I was glad of that.

Matthew Whitaker: What areas of Birmingham ... You mentioned the 35206 zip code. That's East Lake. What areas do you think right now are kind of hot from a rental investor standpoint?

Bryan Miles: I would buy every house in the South part of 35206 if I could.

Spencer Sutton: I was about to say, it's not all turned around yet. I mean, you've kind of got to know your streets, don't you?

Bryan Miles: Listen, and this is the infant stages. We have two going on on ninth Avenue, South and East Lake right now, three doors down from each other. One of them is being sold as a [flare 00:07:25] up, and we got a call the other day from an agent who found out about it. Took her potential buyers out there to look at it, \$11,000 more than what we were going to ask for. They sent us a contract on it. So it's amazing to see what's going on in South East Lake. It's in infant stages.

Matthew Whitaker: Yeah. That kind of butts up against Ruffner Mountain Road, Bryan. By you saying infant stages, you need to know what street you're buying on before you do it. Right?

Bryan Miles: Yeah. So for instance, this particular house, a great section of East Lake, two doors down though is a Section 8 tenant, two doors. The other way is a house that we're actually trying to buy it because it's about to fall down. So it's in the infant stages.

Spencer Sutton: A lot of opportunity. You just need to know what you're doing. So where else? Where else besides 35206 are you seeing great places to buy?

Bryan Miles: Rental property. The Pleasant Grove, the Hueytown. I'd buy every one of them if I could. We still like Center Point, where what we may have paid for Center Point how six months to a year ago, I would not even consider paying today. Center Point somewhere around \$10,000 to \$15,000 less is what I would pay today.

Matthew Whitaker: Just explain to everybody why you say that? Why has Center Point come down?

Bryan Miles: Well, I don't know. They obviously have changed their building code. The last one we did in Center Point, the book showed us walking away with making about \$1,500. But if you put our time into it, we didn't make a dime and it's due to the inspectors coming in. Multiple times the inspectors came in, telling us to change things where they shouldn't do that. They ought to come in one time, this is what you need to do. At the end, they ought to come back to make sure you did what they told you to do the first time, but they're not doing it.

Spencer Sutton: So this is something new that they've started to do, right?

Bryan Miles: Yeah, probably within the last year. What we've seen, some investors pull out of Center Point, but not all. I mean, there are still some in there that are buying as many today as they were six months to a year ago.

Matthew Whitaker: This is obviously affecting the rental investor as well. I think you were talking about, especially on the renovation side, multiple inspections. Center Point has also instituted a certificate of occupancy and an annual inspection. So it's creating a lot of friction when you try to rent a house because there's a lot of hoops that they're creating that you have to jump through before you can rent.

Spencer Sutton: Well, I was just going to say, but also in that area, so if you pay attention to where you're looking around the Center Point area, there's still some

things that are not in the city of Center Point with great houses like Clay-Chalkville area, Roebuck area, North Hampton.

Bryan Miles: We just sold one. Literally, you turn off the Center Point Parkway and drive up the road, left hand side, Center Point, right hand side West County. We bought on the right hand side, in the independent schools, which is a better school.

Spencer Sutton: That's great.

Bryan Miles: So yeah, it was a very easy sale.

Matthew Whitaker: One of the things I don't want to do is we jumped off of Pleasant Grove and Hueytown. Let's go back to those areas. They're on the Western side of town. Essentially the opposite side of Birmingham from Center Point. These areas are a little out, houses are a little bit further apart. There's not as many of them, there's not as many of them. They're their own municipalities. So they have their own school system and great areas for investors. Right? Because there's a lot of retail type opportunities there. So if you're a rental investor, this is a place where you could possibly get some appreciation, I would say-

Bryan Miles: Absolutely.

Matthew Whitaker: On top of your monthly cashflow. If you're a rental investor, are you able to back cash flowing properties in Pleasant Grove, Hueytown?

Bryan Miles: Yes, you can. But nothing like if you're going into your areas of life, what we call true Western Ensley, your return is not going to be great.

Matthew Whitaker: Cash flow is going to be better in those areas.

Bryan Miles: ...normally a better house.

Spencer Sutton: Got you. Less risk.

Bryan Miles: Risk. That's a good way to put it.

Matthew Whitaker: How's the inventory like? How easy is it for an investor to find a house in Hueytown and Pleasant Grove?

Bryan Miles: It's not. It's not. I would tell you most everything in those two areas right now for the most part are they are now being retailed. They're flipped.

Matthew Whitaker: What is the retail price of the homes in the Hueytown, Pleasant Grove area?

Bryan Miles: Hueytown is probably somewhere around the 150 or so roughly. Pleasant Grove, they're more than that. You're seeing 170, 200, right around there. Pleasant Grove has some absolutely wonderful houses.

Matthew Whitaker: Let's zoom back out on all of Birmingham. Let's say you had money to invest and you could buy 5 to 10 houses and you knew you could only

buy 5 to 10 houses over the next year or so. Where would you focus your efforts in Birmingham?

Bryan Miles: I would look into the Roebuck Huffman area-

Matthew Whitaker: Just South of Center Point.

Bryan Miles: ... about the Center Point city limits of Birmingham. Really like those two areas. Of course, I'll go to Hueytown. Again, I think you kind of have to look at what do you want your return to be on these properties? We're seeing houses in the Ensley area, the 35208 zip code, some of those houses are selling in the 150 to 200. We're seeing some selling over 200, but that's overall for Bush Boulevard, which are really just a beautiful street.

Spencer Sutton: Just kind of West Birmingham.

Bryan Miles: Still West Birmingham, that's correct. Then, of course, I'll always go to Adamsville and Forestdale. I love those two parts of the city. Again, I don't buy much in those two areas. I just can't find them.

Spencer Sutton: Yeah. What do you think about ... We're starting to see from Roofstock and different people, they're starting to go South of the city. We're seeing a lot more Calera, Alabaster, Helena, Chelsea, yeah, Chelsea houses. What are your thoughts? Are you seeing a lot of activity down that way? Are you-

Bryan Miles: When I look at that, I look at it as being safe. Just safe in regards to obviously most of that property down there is they're homeowners, your rents are phenomenal. However, you're paying for that house and there are newer homes the majority of them. If I have the funds and I could do something like that, I'd be willing to take less of a return on my money and yes, there's no doubt, I would go that way.

Matthew Whitaker: Yeah, definitely those newer homes ... The new word is vintage. Those newer vintage homes are definitely a place where you can have less repairs. Homes that were built in the 2010s are going to obviously have less repairs than homes that we're buying and that are built in the '50s and '60s. Most areas we've talked about thus far have been homes built in the '50s and '60s, and the reason people do that is because of the modern amenities. They were set up for central heating and air. The homes are very efficient. They have closets and they're more of a traditional kind of layout of a home. Whereas some of the homes that were built prior to that, earlier in the '20s, '30s and '40s, have really high ceilings in Birmingham. So you just got to watch out for things like that when you're looking to buy homes. Obviously homes that are built in 2010, are built for the modern day person that's going to be living in them.

Matthew Whitaker: That kind of gets me to a question, what are some mistakes that you see people making buying homes when they're just getting started here in Birmingham?

Bryan Miles: When I talk to, which is probably a couple of times a month, I will talk to an investor. I try to do my best to get them to come to the city. I just think they need to know where they're buying and see not only the street they're buying home, but also look at the surrounding area. If you're willing to take on a lower income area, that's all well and good. But look at what's you're getting.

Matthew Whitaker: Yeah. Don't just look at the numbers. Come physically see what you're buying, right? If you're buying something for \$85,000 and you don't physically come lay eyes on that, that doesn't seem like a really wise idea, but it happens.

Spencer Sutton: Yeah.

Matthew Whitaker: It happens all the time.

Bryan Miles: Every day, it happens.

Matthew Whitaker: Once you get more comfortable with understanding Birmingham, on your 10th house, you may not have to lay eyes on it because you kind of know in general what it's going look like and you know in general the area or you've been there before. But certainly if you're buying your first few deals, it's worth spending the money to fly down here and come spend some time with whoever your agent or whoever's helping you buy these homes and also picking their brain. You don't have to come in and stay long, but I always suggest people fly in, maybe eat lunch, ... fly in the morning, eat lunch with somebody, spend the afternoon, maybe go to dinner and then spend the morning and fly out the next day after lunch. And that has plenty of time to see Birmingham. Birmingham is not a really huge city. It's only about a million people. You can get from one side of it to the other in 15 or 20 minutes. For you to just spend a day here, you will get to see a lot and it'll help you kind of conceptualize what's going on in the Birmingham area.

Matthew Whitaker: One of the things I've think is that people would be really pleasantly surprised when they come here how nice it is.

Bryan Miles: Yap. Agree.

Spencer Sutton: So what else? Any other mistakes you're seeing investors make when they're buying in Birmingham, Bryan?

Bryan Miles: No. I'm really not ... The ones that we're selling ... For the most part, most of your turnkey providers, if not all of them are basically giving you as new a house as they can possibly give you. Yes, granted, as Matthew said, it's still a 1950s house. That's going to have issues but if I see anything taking place and I had a conversation about this yesterday with someone that they bought at North Birmingham, and it's just turned into a mess. Before he bought that, it's a small apartment complex, I told him, I said, "Man, come see what you're buying," but he chose not to do that. North Birmingham, I don't see it moving as quickly as some of the other areas right now, improving, I should say.

Spencer Sutton: North Birmingham, let's talk about where that area is. It is just North of the city. Right? So if you look at the city on a map, you're going to see where all the interstates basically cross, and you're talking about essentially just North of where the civic center is, right?

Bryan Miles: Yep. However, we've got the new stadium going in and man, it has really kind of turned into an area where even the lots are selling. People are trying to do their best to get the hands on the lots and all that.

Spencer Sutton: Is that mainly in Norwood? The Norwood area?

Bryan Miles: Well, no. That's not Norwood, even though I would consider Norwood North Birmingham. One group has come in to the Norwood area, mainly one group and it's amazing what they've done with these houses and what these houses are selling for.

Spencer Sutton: I thought I'd never see the day.

Bryan Miles: I think will change even more so more quickly than even like the East Lake area and that.

Spencer Sutton: Interesting.

Matthew Whitaker: Let's talk about that for a second. One of the things I think is important is to understand what Bryan said about the stadium. So the city is building UAB, University of Alabama at Birmingham, a new football stadium. That's also going to be used for things like soccer and concerts and just events. They're building it right next to where Topgolf is, right next to the civic center. So they're trying to build a kind of city center, what they're calling Uptown. So what people are doing is they're investing around that area, thinking that that area is going to be a hot spot for places. Probably some commercial stuff that's going to support that new stadium.

Bryan Miles: Also need to remember though Carraway Hospital. That my understanding has been bought and will be a multi use facility at some point in time.

Matthew Whitaker: Well, that's exciting news because that Carraway Hospital in North Birmingham has been sitting there for a long time-

Bryan Miles: And it's an eyesore.

Matthew Whitaker: It is absolutely an eyesore. So really good things are happening in Birmingham. I would say the mayor, Mayor Woodfin, has done a pretty good job of kind of injecting some energy into Birmingham and there's a lot going on.

Bryan Miles: So right across from the old Carraway Hospital, just North of downtown is Norwood; big, beautiful, old stately homes that kind of went into disrepair for a while. But we have seen people coming in there and all of those homes are actually selling on the retail market. To the best of my knowledge, there's no rentals that people are going in there and purchasing for rentals.



Matthew Whitaker: This could be a really cool area if they fix all these houses up. Original kind of 1900s probably to 1920s and 1930s, and you're talking about some really cool stuff. Very hopeful that that comes back. But again, for a rental investor in that area, with those big house built in 1900, 1920, you're talking tall ceilings-

Bryan Miles: 12 foot ceilings.

Matthew Whitaker: Yeah, 12 foot ceilings and when you stick a tenant in there and they heat that whole place, it just gets so expensive, like too expensive really.

Bryan Miles: Yeah, and you think about that eight foot ceiling from that 12 foot ceiling, you've got four more feet of walls to paint and it's just more expensive.

Matthew Whitaker: Heat and cool paint, everything.

Bryan Miles: Yeah. No doubt.

Matthew Whitaker: Bryan, talk a little bit about just thinking through like resident who's living in the homes that we manage, what is driving that? I know UAB is, we have a lot of people that ... When you think hospitals, you think doctors and nurses, but one of the things people don't think of is all of the support staff that go into running a hospital the size of UAB. What are some other industries that you're seeing a lot of our residents working in that live in homes that you own or you managed?

Bryan Miles: So one of the areas that I've really been looking at is over around the new Amazon warehouse. I don't know how many people they plan on employing over there, but I think you'll see that area turn around a little bit. Bessemer, Alabama is where it's located.

Matthew Whitaker: Yes. So this is on the Western side of town. Bessemer is a different city west of Birmingham, and you're talking about Southwest of town on the way to Tuscaloosa. They're building a big Amazon facility and they're going to employ a bunch of people down there.

Bryan Miles: Yeah.

Matthew Whitaker: So Hueytown, Pleasant Grove is very close to where this is going to happen.

Bryan Miles: Yeah. And I just think on the retail market, you'll definitely see that pickup over in that area for sure. No doubt about it.

Matthew Whitaker: Well, and then it also is very close to the Mercedes-Benz manufacturing facility too, that makes them M-Class Mercedes. Mercedes is about halfway between Birmingham and Tuscaloosa. They manufacturer the M-Class. That employs a ton of people. The facility is ginormous. So that's another industry driver. Then we also have Honda on the Eastern side of town that is a manufacturer of the Honda Odyssey van. So a lot of really good things, especially from a rental investor standpoint, going on in the Birmingham area.

Bryan Miles: Yeah. One of the things, and this goes back to the Western side that we have spent some time looking in, are some of the counties that surround Jefferson County, Birmingham, Bessemer, Pleasant Grove, Hueytown located, so Bibb County where we're spending a little bit of time looking at Bibb County now. Again, it puts you between Amazon, between Mercedes and there's a considerable amount of growth going on over in those areas. So some of our concentration has been going to those areas and looking around there.

Matthew Whitaker: Is there enough product out there for people to buy?

Bryan Miles: Far and few between, you're finding mobile homes, which I'm not opposed to owning a mobile home. Whether I hold it for rental or turn around and resale, but no. You have to get into the smaller towns, Green Pond, West Blocton and some of those smaller towns. Now you can find houses in those towns.

Matthew Whitaker: Is there any building going on out there to support what they think is going to happen? People building homes yet?

Bryan Miles: In the Vance area, which literally is right there by the Mercedes Benz plant, there is new building going on there, and also there's an area called Lake View, which we have seen new developments being built and those houses actually selling for rental in those areas. These are two story homes. I've actually been asked by some of the investors to go look at them and I've been in a couple of them out there. My guess is these are probably close to \$200,000 homes, is my guess. I don't really know the amount.

Spencer Sutton: Interesting. Bryan, let's talk a little bit about, think about your turnkey, what's you're doing with turnkeys, right? You mentioned you're doing flips, you're also doing turnkeys. Are these turnkeys ... I'm thinking your turnkeys are mainly in maybe the Western and Eastern part of town like we talked about East Lake, Ensley areas and then-

Bryan Miles: And that's where they are.

Spencer Sutton: Tell me your definition of turnkey. Then really when you're placing a tenant, what kind of tenant are you placing in there? Because we have a lot of listeners that are interested in Section 8. They ask us a lot of questions about Section 8, which we haven't touched on here, and I know you've got a lot of experience with it as we do too. So tell me a little bit about your turnkeys, like what you do to a house and then who you place in that house.

Bryan Miles: So when we turnkey, we sell our turkeys through a company based out of San Francisco and we have to have \$500 or less CapEx. So basically what they're telling us is they come in and inspect that home, and then if they give us state line item, we want this corrected or this needs to be done, if it is over \$500, we have to take care of that. We do take care that. We take care of everything on that list, period. We just do it. We want a clean inspection from this group. Basically that house ... When I think of a turnkey, it's got a new roof, normally it's gone down to the decking. So there's a new roof, HVAC system is brand new. We do an all

electric house. So we have to make sure we've got between 150 to 200 amps service on those houses. So if it's not there, we put in a new electrical service. Of course the outside is painted, the inside is painted. Most of the time we are gutting a bathroom or both bathrooms. We always try to add at least a half bathroom. Hardwoods are refinished, new fixtures; new lighting fixtures, new plumbing fixtures. If it has copper water lines, we will save them. If not, we pick all of that. That is basically our turnkey product is what it is.

Matthew Whitaker: I want to talk about a couple of things you mentioned just to clarify for everybody. The company he's mentioning is Roofstock out of San Francisco, was actually out of Oakland but out of that kind of Northern California area, and there's a lot of turnkey providers that are turning to them to sell product. We're actually going to have them on the show one of our next few episodes to talk about turnkey and selling through their platform. The other thing I think is important because this is something that's very important to our residents is an all electric house. So let's talk about that a little bit, Bryan. Why would a tenant or a resident want an all electric?

Bryan Miles: I would tell you your Section 8 tenant is looking at it just due to the fact that there's something about gas that they do not like. We like providing that service because it gives them just two bills. Gives them a power bill, gives them a water bill. That's all they've got.

Matthew Whitaker: There's something about adding another service provider that it feels like you're paying more money, even though maybe you're not technically paying more money that our residents do not like.

Bryan Miles: Yeah.

Matthew Whitaker: Especially in those kind of lower to moderate income areas.

Bryan Miles: Correct. That's correct.

Matthew Whitaker: But all electric house doesn't just mean all electric because we've run into this problem in the past where people will install the wrong type of all electric. So talk a little bit about a heat pump versus strip heat.

Bryan Miles: We put a heat pump in with backup strip heat. So when it gets below, I think it's 30 degrees, you have a heat pump, which is you have to have the furnish and you have to have the outside unit, or it depends. It could be a package unit. Both of those are running. So your condensing unit is running even at the winter time. It reverses itself is what it does in comparison to summer months. And up until around 30 or 32 degrees it heats your house perfectly, but it's not efficient enough to heat. So we put in either a 10 KW or a 15 KW heat strip, depending on the size of the house. Well, that heat strip is just that. This thing just heats up. It is as red as it can be. Glowing red as it can be. So doing that, that air flows over it and gives that house this little bit of extra that it needs.

Matthew Whitaker: If you're from up North, you don't know that this heat pumps exist. Everybody from the South kind of down through Florida, heat pumps are very popular just because it doesn't get so cold. So the North heats with

mostly gas. We're kind of on the line. If you go to Nashville, it's almost too far North to run a heat pump. But in Birmingham, Alabama, it stays warm enough mostly to do that. So what happens is this heat pump runs and then it switches over to an emergency backup strip heat when it gets down to a certain level. If it can't keep up and keep the house heated, it basically flips over to an emergency situation and does keep it. But the problem with it is a lot of people will go install just strip heat, which is still all electric, but strip heat sucks a lot of energy.

Matthew Whitaker: So we would have residents that ... If a investor installed just strip heat, we'd have residents coming to us in the winter months with \$500 to \$800 power bills, and obviously if you're living on a fixed income, that's not something you can afford to do. But for the investor, it was cheaper for him or her to install it. So you don't want to save a buck and then end up hurting yourself because these residents do not stay in homes when their power bill is \$500 to \$800. The first thing they do is try to get out of that house. So one of the things about investing in rental is you want people to stay for a long time. So spending the money, doing it the right way on the front end and buying from a turnkey provider that has done it correctly on the front end is super important. So that's one thing I would definitely look at looking to buy turnkey.

Spencer Sutton: I'll never forget the day that I had a tenant come and knock on our door. I thought I got a great price on a new-

Matthew Whitaker: Well, you did get a great price, but there was a reason for it.

Spencer Sutton: I did. I got a great price, and then the tenant came, knocked on the door and was like, "Hey, I'm not paying this \$800 power bill." I was like, "Yikes." So we ended up having to replace the whole unit.

Spencer Sutton: Okay. So you're selling through Roofstock. So you're providing a great product and then you're going out ... Are most of your tenants Section 8, are they private pay? What are your tenants?

Bryan Miles: But most of our candidates on the Western part of town, which is what I would say is true West End and Ensley, all of them are Section 8. We pretty much get phone calls weekly. Depending on the product you put out, word kind of gets around to some degree and mainly gets around through the Section 8 inspectors. So we do not have a problem renting a house. That's not a problem for us.

Matthew Whitaker: Let's talk about the Section 8 program-

Bryan Miles: Well, here's you a prime example with Section 8 and again, I love it. I personally own one Section 8 property right now. If there's a problem with it, here's the problem with it. Of course, this is kind of a new world rent at the moment. I have a two bedroom Section 8 house, I get 775 a month rent out of. Of that 775, about \$225 of it is paid by Section 8. The other 550 is paid by the tenant. She lost her job two weeks ago and she cannot pay. So there's a process that we'll go through now to hopefully ... it may be another month, it may be two but at some point in time, I should get reimbursed for her losing her job. But you just have to take that into consideration. Now, the beautiful part of it, if you have a

Section 8 tenant and that all of the rent is paid through Section 8, well, that check's going to hit it the first of every month.

Matthew Whitaker: Yeah. So Section 8 is a government subsidized program and basically people have to apply and be accepted into the program. But some of the misconceptions which Bryan was just mentioning is, not every resident gets a hundred percent of their rent paid by Section 8. Sometimes it's a portion based on the amount of money they make, which is called affordability. They try to make the house affordable for people. It does create some other issues because you've got to go through an inspection-

Bryan Miles: Every year. Once a year.

Matthew Whitaker: ... once a year, right before you move in and then on an annual basis. Those inspectors are basically constantly bringing that house up to a certain living standard. So some people like it. Some people like the fact that they essentially get a free, independent set of eyes to look at the home and that for safety, they come in on an annual basis. Now, it is going to increase your expenses because a lot of that's deferred maintenance that a private payer resident probably would not do or not call in. Right. So there's some benefits and then there's some things you're going to give up when you use the Section 8 resident.

Spencer Sutton: Well, they live in the house more, right? If they don't have a full time job, then they're going to live in that house and flush more commodes, flip more light switches. They are going to use that house more. So you might have more repair and maintenance. I had a great tenant, Bryan, you probably remember this tenant, it was in Midfield and she was on the Section 8 program, 700 and, I think 40 dollars a month or something is what we got. She paid almost nothing at very beginning. But then as the years went on, they paid less and she paid more as she got a job, she earned more money and eventually she was paying 95% of it, which is the way the program is supposed to work.

Bryan Miles: That's right.

Matthew Whitaker: Yeah. The thing I think people need to understand about Section 8, because we get a lot of questions, when you decide if you're going to rent ... Especially in some of these low income areas of Birmingham, you can't just say, "I'm not going to rent Section 8." You're essentially disqualifying as much as half of your potential market to rent that house to, maybe more in some areas. But you also need to know that Section 8, the residents are no different than a private pay resident because you've got to find good Section 8 residents to live in your home. So GK houses, we also qualify them that we don't do a income qualification, but we do have to qualify them before they come move into one of our homes, because we want to still make sure that they're a good tenant. Just because they're on the program, just because they get this money subsidized from the government does not mean that they're great housekeepers or that they aren't getting into trouble. So very important to, again, screen residents and make sure whoever's managing those homes are screening your residents before they move in.

Bryan Miles: One of the things that I would tell any investor to do is find someone at least once a year, whether it's Section 8 or not, preferably more than that and have your home inspected. Have somebody go through that home. One, if you've got a leaking roof and a tenant's not reaching out to you or whatever. It may be gutters. I know when a lease we'll put in there for the tenants responsible for gutters. Most of your tenants may not even own a ladder, I don't know, but it's an asset. You've got to take care of that asset.

Matthew Whitaker: Yeah. If you aren't focused on what's going on out there, then small problems are going to turn into big problems. The proverbial leaking toilet at the base, that if you catch it early, then it's just a wax ring replacement. If you catch it too late, it's a whole rip out the floor in the bathroom, replace the sub floor, a bigger problem. That goes for soffit and fascia. So having your house at least looked at on a regular basis is definitely worth it. At GK houses, we have annual and bi-annual kind of walkthroughs at the home, take pictures and do some of that. So for our investors, they really enjoy the peace of mind of getting to at least lay eyes on their home if they don't live in the market, being able to see that on a regular basis.

Spencer Sutton: All right. Well, Bryan, anything else you want to add about Birmingham? If there was one piece of advice you would give an investor, let's say they're listening, they live in New York, California, Florida, anything you would say?

Bryan Miles: I would just go back to what was said earlier. Come see the city, come see where you're going to buy. That to me is so important. A lot of these areas, and we've talked about a number of the areas, however, a number of these areas, you literally may buy in a block that is a great block, but the next block may have some rough houses. One street over could be rough. Again, I don't see anything wrong with that. I just think you have to be comfortable with that. I don't want somebody buying a house next to one that's that's falling down. I don't want to see that. But again, a lot of these areas, even areas that we see a change taking place, there's still a lot of rough in these areas. So there's a long road ahead, a lot of houses to be purchased and rehabbed.

Matthew Whitaker: There's a lot of opportunity here. That's exciting.

Bryan Miles: Yeah.

Spencer Sutton: I would say my piece of advice also is don't fall in love with any deal, right? If you see something, somebody is offering something, just take your time. You don't have to buy the very first one that you find. It's a process. Like Bryan said, I think coming out here is a really important part of the whole process. Well, Bryan, thank you so much. It was good to catch up and thanks so much for joining and being our first guest. I think a lot of people will learn a lot from your years of wisdom. So thanks so much for being willing to be transparent about all of this.

Matthew Whitaker: Yes, thank so much.

Bryan Miles: You're welcome. Have a great day.

Spencer Sutton: All right. That's it. Subscribe to our podcast. Anywhere you listen to podcasts, you can go in there and just subscribe. Make sure you don't miss any of our episodes. We're going to be bringing more people just like Bryan on here. Industry experts to talk about the Birmingham real estate market. So don't miss it.