

Spencer Sutton: All right, everybody. Welcome back to another episode of The Birmingham Rental Investor. I'm one of your cohosts, Spencer Sutton. I have Matthew Whitaker here with me, and we're really excited to have a long time Birmingham investor, somebody that we've done business with before, Jonathan Mednick and Jonathan owns a company, is a partner of the company called REI Trader. And I think, Jonathan, you probably have your hands in a little bit of everything when it comes to Birmingham investment. Is that correct?

Jonathan Mednick...: Yeah, that is correct, Spencer. We fix and flip retail properties, obviously it's a little bit more challenging now. We also sell turnkey properties, which GK houses as a preferred vendor for a lot of our buy-and-hold investors when we sell those turnkeys. We wholesale, I'm also a broker, so we have a brokerage that supports REI Trader. Then we own a fairly good size rental portfolio of our own. Before this pandemic happened, we were working on building out two developments over in the Center Point Birmingham area, but we'll see where that goes in the next couple of months.

Matthew Whitaker...: Now, one of the things that strikes me about you is you've been doing this a long time. There's a lot of people that will get in this and they're kind of fly by night. One of the things I'll applaud you for is you've been doing this a long time, which to me speaks to kind of your consistency, your quality. Obviously you've built a fabulous reputation here in Birmingham, so kudos to you for that.

Jonathan Mednick...: Thank you. Yeah, I've been doing this now 19 years and I started down in the Fort Lauderdale/Miami area, then of course went through the Great Recession in 2008. Then in 2011, I had an opportunity here in Birmingham. I made a visit, flipped nine houses to a group out of LA, then realized very quickly that there was a good opportunity here, but I needed to be here. So, sold the beach house and moved to Birmingham almost nine years ago and never looked back. Birmingham has been professionally, probably in all my 19 years, the best decision to coming here.

Matthew Whitaker...: What was it about Birmingham? Cause you made an absolute commitment. You said, "Hey, I'm moving there." What was it about Birmingham that you saw that you thought was a big opportunity?

Jonathan Mednick...: Well, first when I was coming here, there was no one else here from out of state moving here. When I told friends and family that I was moving to Birmingham, Alabama, they were quite shocked. Culturally, a little bit different than what I'm used to, being from the New York city area, but I've really embraced the culture and the people here.

Jonathan Mednick...: I remember when I was doing my research, that the difference between working in a luxury, premier market like South Florida, which is comprised from West Palm beach down to Miami and Fort Lauderdale, is that you have very limited exit strategies. The only exit strategy that makes sense was fixing and flipping to retail on our occupants. When I looked at Birmingham, I saw multiple exits. I saw that, wow, it's an extremely affordable city. I could hold properties and get a really nice cap rate. I could sell turnkey properties to other investors. I could fix and flip, I could wholesale. I can do everything here. That's the benefit of being

in a secondary tertiary market. I think Birmingham, a couple with its mild winters also supports the efforts of keeping costs down when it comes to winterization and freezing pipes and additional insulation. You don't need it as much as some of the other secondary markets that cashflow really well like Columbus, Ohio, Cleveland, Kansas city, or Indianapolis.

Jonathan Mednick...: So when I talk to investors around the country and they tell me they're looking at those markets, I tell them, "Well, expect higher maintenance costs when it comes to winters with freezing pipes." So it was all of those factors that made me realize that Birmingham was the place for me to be. Plus in 2011 when I moved here there wasn't a whole lot going on. I mean the landscape, the downtown area is completely revitalized. It's completely different. When I moved here my first year being a city kid, I lived downtown on the North side, and I thought, "Wow, great, big city. I'm in the heart of it. And there wasn't a whole lot going on," but that has completely changed. So really just happy and excited for, not the opportunities for investors like us, but also for the city and out of state investors who were now operating in Birmingham area.

Spencer Sutton: When you moved here, I mean, you had all these things in your mind, "Hey, look at all these opportunities." How did you really start? Like what was the, when you came into the market and the Birmingham, you didn't start doing all of those things at once. What was the first thing that you did and the reason you started there?

Jonathan Mednick...: Right. Right. Well, since I had a group out of LA, a hedge fund that was looking to buy properties and they were funding, basically the purchase and the renovation cost of the property, I located a few handyman. We were doing really small projects. I mean, rehabs were literally under \$7,500 for most of them. We were able to pick up some really good assets at low prices. And it was really just to focus on the turnkey model. I had one or two crews. And when I say crews, it was two to three man guys on each crew. We were starting with two to three properties a month. And I knew that at some point as the market picked up, I couldn't put all my eggs in one basket with this one client, and I knew I need to expand into other areas. So I started to wholesale properties, which I've done for a lot of years. So, that was the second Avenue I went through in it.

Jonathan Mednick...: The third was, I got my real estate license immediately when I got to Birmingham. Before I moved, I studied for the exam. The first week I moved here I took and passed the test, so now I was able to access the MLS and all the advantages of course that brings enabled me not only to find properties, but also to get commissions as an agent. So I was making money on turnkey flips, I was making money as a real estate agent, and also I was charging a small fee for project managing of those rehabs. That's kind of where I started, and it grew from there.

Matthew Whitaker...: Talk to me a little bit about how many turnkey deals you've done over the course of your career while you're in Birmingham. I mean, if you don't want to give specific numbers, but just give an idea, of the number of homes that you're buying annually.

Jonathan Mednick...: Well, in the 19 years I've been doing this, I've done North of 1500 projects.

Matthew Whitaker...: Wow.

Jonathan Mednick...: Yeah. So in Birmingham, I would probably say it's been maybe about 550 properties. Somewhere between 550 and 600 properties, and it was a compilation of a few things, not just if you REI Trader selling turnkey properties to out of state investors, which primarily most of them were out of California, Utah, New York, and Texas, that's where the bulk of the turnkey buyers are. You probably see the same thing. That was one avenue of being able to sell those properties.

Jonathan Mednick...: The second was, I was brokering deals as well. So sometimes we have turnkey buyers who literally just wanted to buy off the MLS, and I would help them find those properties. I'd advise them. So, that was the second thing.

Jonathan Mednick...: Then the third was just buying these properties and keeping them in our rental portfolio. So I think right now I can tell you, as of today, we have ... we're actually buying a house today and another one later this week. So we'll have a total of 16 properties that are in various stages of renovations. We just came off of three that we just completed. We don't really know what our exit is going to be. Well, we know in the beginning, based on the numbers, if it meets a retail flip or turnkey flip, or if we're going to keep it into rental portfolio, assuming that we get our minimum cap rate, but when we get closer renovations and we true up all our numbers, then we kind of narrow the focus and say, "Okay, really coming in ahead of schedule at a lower cost, under budget, and we're going to tag this property as a rental."

Jonathan Mednick...: Or we say, "Hey there's a of money, profitability that we can make it if we sold it turnkey," then we'll go that route. So I would say typically we average probably 8 to 10 properties per month on the acquisition and sales. Obviously now it's a little bit different. I think the market's shifting into more of a bear market and we'll see how that plays out.

Matthew Whitaker...: Talk about a typical turnkey deal that you see. I know there's probably not one typical turnkey deal, but just give me an idea of what investors should look for when they're buying turnkey and in Birmingham.

Jonathan Mednick...: Yeah, that's a really great question. When I talk to a lot of investors from out of state, and every month they come to Birmingham and we give them the tour of properties before, during, and after, and the most important thing, there's two things, is I tell them, "You've got to come to Birmingham and you've got to see properties. And you've got to make sure that if you're meeting with us or other TKPs, turnkey providers, that you feel comfortable with them, that they're just not one guy working out of their car, that they have a significant operation, and you have to do your due diligence."

Jonathan Mednick...: The second is, "No matter how good acquisitions are and renovations are and the sales is, if you don't have good property management, this is going to go sideways." I mean, you guys know on many occasions when I've got calls from,

not so much you guys, but other property managers where they have properties that went sideways and they're just calling to sell the property and get out of it. And typically I've seen some of them when we bought those properties, they've sustained heavy losses and they just wanted to get out of it. So I would say that the key is really to make sure that you've got a good turnkey provider that you met, you can trust, and they're solid. They've got a great reputation. Do your research, ask for references. And also, I would say the same for property management.

Matthew Whitaker...: You're actually the second person that said their first thing is come to Birmingham. We keep hearing that over and over. And we say the same thing. One of the things I've found about people when they come to Birmingham, they're pleasantly surprised. Probably like when you came up here for the first time you had this idea of what Birmingham was and then you got here. The thing I always hear about it is, "It's so green. I never realized how green it was." So people are pleasantly surprised when they get here. Talk a little bit about who is buying turnkey right now. Is it busy professionals? What is an ideal client for somebody like you? Then after that, we're going to start to get into some Birmingham specific areas.

Jonathan Mednick...: Typically, they're young professionals. They're usually in their twenties, thirties, and early forties. A lot of them have found me from other podcasts like this, which I've done, through webinars I've participated in, or they've been referred to me. Typically, the initial conversation, I ask them, "Why Birmingham and what are your goals?" And when we narrow it down, their goals, and what their 5 or 10 year plan is, it's like, most of them are looking to accumulate wealth. They're looking to get on average I would say at least 10 properties before retirement. We have solo investors who've bought multiple properties, are pretty close to hitting those numbers, or more typically they're from the twenties to 40 age range. They're young professionals. The majority of them are in California because when they find out they can get a \$100,000 house here that cash flows nicely. For them, that's renovating their bathroom. So they're absolutely shocked at just the value that you can get here in Birmingham.

Spencer Sutton: I think it's really interesting, Matthew and I have, we've been pretty vocal with people who call us just about when we're talking to these new investors, and a lot of them are from California and they're asking us advice. We're also very ... we're very vocal about them being careful and really understanding what their goal is like, what is your goal? What is your risk tolerance?

Spencer Sutton: I think what's interesting about you, Jonathan, is like Matthew said at the beginning, just your longevity, which to me means that you have repeat customers. Talk to me a little bit about that. Just about being very transparent and actually helping these people, as opposed to playing the short game. Because I think so many turnkey providers will play the short game for maximum profit versus I'd like to have this client for a long period of time.

Jonathan Mednick...: That's a great point, Spencer. You just hit on our secret sauce. If investors look for us online, or they're trying to search for us other than through webinars or podcasts that we've done, if they've just done a general search or they are

looking for our marketing or advertisements on we have turnkey properties available, we don't really do that. We don't need to. The reason is that 100% of the sales with turnkey sales is through referrals and word of mouth through our current turnkey buyers. That without a doubt has been our success.

Jonathan Mednick...: For us, what's really important is, whether you buy 1 property from us or 10, it's really important that you have a really good experience. They like the fact that I'm also a broker, so I'm very transparent. We have a CRM system that walks them through the entire process from contract to closing. Therefore, there's no weekly phone calls or they're not out of the loop on their dark of where are we at in the process. They have access to the full picture of every action that we take from contract to close plus all the various parties that are involved, and the documentation that's also in a central repository that they can access if their lender is in need of a lease or something like that. But the majority of them has been a 100% referral-based, and that's how we've generated repeat business.

Spencer Sutton: I love, just speaking from a property manager's perspective, I love the documentation that you give. So after the deal closes, if they've chosen GK Houses, you deliver a package and it is beautiful. I mean, we don't have to keep coming back and asking for more and more and more information. You've got it laid out.

Jonathan Mednick...: Yeah, I think what's great for you guys is that I think for a property manager is when you have a turnkey provider do all the heavy lifting and screening and placing a tenant into the property, because that is by far the most challenging aspect of property management is putting, onboarding a tenant. When we just deliver that to you, along with all the documentation, all that requires for you is to get it set up in system and get it switched over, the payments and you're ready to rock and roll. So we try to ease that process. It's a benefit to our clients as well when they see that we're on top.

Jonathan Mednick...: But also, it doesn't stop there, but because on a rare occasion when there is an issue or challenge with property management, I always tell the clients, call me. Obviously I have both your cell phone numbers, if there's an issue, which I can't recall last time a client called and it had an issue with GK. But if there was then I could just call you guys directly, and you've jumped on it. And I think that's been a really major advantage. I think some of the property management companies, when they don't ... especially the smaller ones, I caution, I'll try and keep buyers to kind of steer clear of them. Because they're just getting started. They're incurring growing pains. One thing about GK is that you guys have gotten pretty large, you're in multiple States, and you guys are all about process. You are by far leagues ahead of all the property management companies that I know of, at least in the Birmingham market.

Matthew Whitaker...: Well, you're very gracious because we still think we screw some things up, but one of the things we say is if we screw it up, we're going to fix it, but I appreciate you saying that about us.

Matthew Whitaker...: I would like to switch gears. I'd like to kind of dig into some areas of Birmingham that you really like, some areas that you don't like. So let's just start with the

areas that you think are kind of on the upswing or that you really like right now, specifically around rental investing.

Jonathan Mednick...: Right. Well, primarily a good majority of our properties we're buying up in the Center Point area of Birmingham, the 35215. We still do ... Obviously there's some challenges with the city of Center Point now instituting yearly inspections and providing more oversight, but we do so many projects. And plus, we have the developments going that Jeff Shadrick, my colleague, business partner with REI Trader, he handles the construction side. He has a very good working relationship with the city of Center Point, so we've been very fortunate to kind of stay on top of the latest developments when things happen. So Center Point has always been really good for us. A lot of investors are a little bit concerned on whether they should continue in that market. The Pinson area, Grayson Valley is also a very good area for B2B plus type assets.

Jonathan Mednick...: One area that has really impressed us now is also Southeast Lake. We're not a really fan of the Northeast Lake area for other reasons, but Southeast Lake seems to [inaudible 00:18:06] for buy-and-hold, to be able to pick up some really good assets. So we are moving quite a bit to pick up quite a bit of properties over in the Southeast Lake area, which is 35206, and it's just North of downtown. So Bessemer, Hueytown area is a great area. That's about 20, 15 miles, 18 miles South of downtown. That's, as you gentlemen know, where the Amazon Fulfillment Center opened up, so there are a lot of investors that are certainly buying and holding properties there as well.

Jonathan Mednick...: Another area is Pleasant Grove, which is Southwest of downtown, and that's always been a good area, not only for buying whole properties, but you'll get some good appreciation and possibly being able to ... if you come out of rental and you decided you wanted to sell it, retail with the little extra effort, you probably get a nice return on your investment with a property in Pleasant Grove.

Matthew Whitaker...: Do you mind if we dig into some of those areas real quick and just give some kind of basic idea. So let's talk, you said Center Point first. What is the age of the home people are buying? Who typically lives there? What are those homes rent for? And maybe Center Point and Pinson, that whole corridor.

Jonathan Mednick...: Okay. Typically, the houses are going to be 1950 or newer. We usually, I think the sweet spot is between 1100 and 1200 square feet. Three bedroom, one bath, up to four twos, typically on a three one. We do a very high level renovation, so when we hand off our property, GK it's as close to maintenance free as it possibly will be. Rents on a three bedroom, one bath, we are right now averaging about \$900 a month. The three twos we're getting about \$1,000 a month. And on all four twos, we're getting between \$1,150 and \$1,225 per month.

Spencer Sutton: Is this private pay or section eight?

Jonathan Mednick...: Section eight. And that's the other thing, I will tell you because of what's happened now with this pandemic and a mastermind that I belong to, a national one, there's a couple of concerns that people have. Everyone's concerned about

getting their rents. And for us, we stress test the business every quarter. Not just the business as a whole, but our rental properties, and our own personal rental portfolio, about 65%, 66% comes from section eight.

Jonathan Mednick...: Well, let me back up. 95% of our properties that we own and we sell turnkey are section eight tenants. The properties that we own, there's a portion of that in which tenants pay, then the bulk of it is paid by section eight. That bulk equates to about 65% to 66%. So since we have out lenders, if all of our tenants stop paying their small portion of the rent, we can cover our note obligations with the amount of money that we receive directly from section eight or direct deposit into our bank accounts.

Jonathan Mednick...: So we've hedged to make sure that in his downtime and in these challenging times that we're still getting the bulk of our rent and that we can still meet our note obligation. Last week I reached out to all of our tenants, called them personally, and out of all of our properties, there's only three they're are struggling to pay the rent. Everyone else has already paid their rent. So we're operating about 87% of rent paid through April. So the majority of, going back to your question, private pay versus section eight, the majority of them are going to be section eight tenants. We prefer it. You're not chasing for rents. They stay in the properties. We have tenants in properties that have been there for longer than five years. They're not looking to move. If you treat them with respect, you take care of them, you treat them like family, they will take care of the property.

Matthew Whitaker...: Talk a little bit about Southeast Lake. What are you seeing in Southeast Lake? What are the rents? Who's living there?

Jonathan Mednick...: Right, again, mostly section eight participants. You're seeing on a three one ... Well, we even have a couple of two ones there where we're getting \$650 to \$700 a month rent. On the three ones we're probably averaging about \$750 to \$770. On the three twos, more like \$800 to \$850. We don't really get many four twos in the area, but if we do, it'd probably be somewhere between ... well, I have a four one and a half, I'm getting \$978 on that one. So the difference between Center Point and East Lake is Center Point is more of a B class type asset. East lake is C class across the board, which means that you're getting properties at a lower price point. The rehab is going to be about the same. You're getting a little bit, maybe \$50 less in rent, but you get a higher return, a higher cashflow, a higher cap rate on properties in East Lake.

Jonathan Mednick...: The difference between the two is Center Point. Now, you can get some appreciation, although as a cashflow proponent or someone who's just focusing on longterm passive income, it's nice to have, but that's not the driving factor. It's the cashflow. But Center Point, you can get somewhat of appreciation on some of these properties. Some properties we've sold, using a 1% rule, they've appraised \$5,000 to \$8,000 above our asking price.

Jonathan Mednick...: Now, East Lake is pure cashflow. You're not really going to get appreciation as much in that area. So on a property, for example, that we would sell in Center Point, \$850 a month rent, we'll sell it for \$85,000. That same property in Center Point for \$850, we'll probably appraise somewhere between \$55,000 and

\$65,000. So you get a higher return if you have a turnkey provider who is offering properties in a C class area.

Matthew Whitaker...: And Southeast Lake is also kind of an older neighborhood. So Center Point was built post 50s, a lot of Southeast Lake, it was built in the 50s, generally speaking, so you just get a little bit older house, a little bit different set up.

Matthew Whitaker...: All right, let's just jump down to Hueytown and Pleasant Grove. And then Bessemer, you mentioned, this is kind of the area in the Southwestern part of town that's near the new Amazon Fulfillment Center. Talk a little bit about what somebody can expect to see in terms of rental rates and costs to buy a home there.

Jonathan Mednick...: Right. Bessemer is very similar to the Southeast Lake area. Hueytown, so Bessemer you're going to get still a lot of section eight tenants. It's interesting, because I ran the numbers of sold properties, the cash buyers. In the last six months, other than Center Point, 175 properties were bought in the Bessemer area. Which I found really interesting. And I think part of that is driven just by Amazon Fulfillment Center being there.

Jonathan Mednick...: Rents are going to be very similar to East Lake. We're talking from \$700 to \$900. As you said, Matthew, the difference between there and you know, Center Point is that Bessemer is a slightly older area. We picked up properties that in the 1930s and 1940s, we don't really like to go older than 1930. Then you just get into a lot of structural areas, just properties that just need way too much effort, and there's just no return on investment for going after those properties.

Jonathan Mednick...: Hueytown is more of a B class area. I like Hueytown a lot because you really get good assets. You're not going to get as many section eight tenants. You're going to get a lot of private pay tenants. A lot of blue collar, white collar folks are going to be in the Hueytown area. You could have tenants who are working at the Amazon Fulfillment Center, and you're going to get a little bit higher rents I think in those areas. You can get typically around anywhere from \$900 to around \$1,300 on rents from three twos to four twos. Most of those houses are typically from 1945 to 1975 and they are typically 1,000 square feet or bigger. A lot of them are brick, which we like. Anytime we can buy a brick house, I'm always happy to do that. So Hueytown is a really good area for private pay, blue collar, white collar folks who want to be close to downtown, but don't have the ability to buy a place in a A class like Hoover, which is literally right next to Hueytown.

Matthew Whitaker...: Talk about some areas, people you would think should stick away from, stay away from these areas.

Spencer Sutton: Yeah. Your do not buy list.

Jonathan Mednick...: Well, it's interesting. We pick up a lot of properties. Well, I wouldn't say a lot. Let me preface this by saying, on a weekly basis, I get 25 to 40 properties from wholesalers. On a monthly basis, I may buy two or three from them. The majority of them are selling in the lower income, the war zone, the D class areas where we just don't buy. Now, that would be Ensley, Wylam, the central park

area. And I'm not talking New York. This is just South of downtown. Those are really dodgy areas. Now, some investors like it because they can get really great returns. You can pick up properties incredibly cheap.

Jonathan Mednick...: But what you look strategically at an area like that, you're going to get cashflow, but you're not going to get appreciation. It's going to be a challenge getting tenants into those properties. The rents are going to be a lot less, so let's say on a three one in Ensley, you're probably around \$650, maybe \$700 for what I see. Maybe you guys see differently in those markets. Security issues, putting security doors on the properties. We recently had one property where we have a brand new HVAC that was stolen out of the security cage. And that doesn't happen in the other areas in which we buy in. But honestly, it's a constant security issue. It's hard to get those good tenants and those properties, lower rents. And you know, you're going to be into that property for probably about the same amount of money as if you were purchasing in Southeast Lake or in Bessemer.

Jonathan Mednick...: So I do occasionally like Fairfield, but Fairfield, the city's in bankruptcy. I don't know if they've come out of it, but they've been in bankruptcy for quite a bit of time. I was actually this morning, before we jumped on a call, I was looking at a property in Fairfield and it was metal roof and it was brick and it was a three two. He wanted \$38,000 for it, but when I look at the photos, it probably needed about 15, 20. The problem is, it's worth maybe about \$50,000. So the problem with an area in a war zone, a D class area is by the time you're done renovating the property, you got to be into it for full market value. And for us as an investor, that does not fit our buy box.

Matthew Whitaker...: Yeah. I think this gets back to the importance of people coming here and seeing all these areas for themselves, seeing what we're talking about as a D class, C class, B class, and just laying eyes on it. I think coming here is worth the proverbial picture worth 1000 words, and coming and taking a look and driving around these streets is super important.

Spencer Sutton: Yeah. And understanding their risk tolerance. Like we talked about before, because I do, I field a lot of calls from investors who were like, "Hey, I found this house and it's in the worst part of West End." And they're like, "What do you think?"

Matthew Whitaker...: Can't believe it, so cheap. I can buy a house for \$12,000. Certainly I can make money with it.

Spencer Sutton: Yeah, here we are on Ishkoota road. Do you manage here? I'm like, "Yeah, we manage, but what you have to understand is this is a high risk property, like high risk." I cannot tell you how many investors I've seen lose money on these deals that they thought were just a sure thing.

Jonathan Mednick...: Yeah. Yeah. I will tell you that all of our turnkey buyers, when they come to Birmingham we take them out. I usually show them in a day 8 to 10 properties. We show them the properties we've just acquired that we haven't yet started renovations. Then they see properties under renovations. They can kind of see

the crew and the mess, which is always fun, and also see we have a project manager and then Jeff is out at the properties. Then we show them finished properties. We can take them to tenant occupied properties, but we do drive by. But if we have properties that are rent ready or ready to go in the market for sale, we take them out to those properties. So, that's typically a whole day. Then typically I try to have set up a meeting with you guys to come meet.

Jonathan Mednick...: I then try to get them ... they usually will meet with a closing attorney, and then I give them one of the tour of downtown. So they get the big picture. Typically, I tell investors, "You want to spend about a full day and a half in Birmingham to kind of get the big picture." We also take them to our office so they can see that we actually have an office here in Birmingham. The second point is that there are a lot of investors when I do sell them turnkey properties then they're looking at some of these lower end assets. I said, "Those really are for local investors, guys in the market like us who are experienced. They know these areas." A lot of those neighborhoods it's really street by street. It's not like ... it could be a great property.

Jonathan Mednick...: I mean, I saw a property in Crestwood. I mean, the numbers made sense. It was a great property. It was going to be a retail flip, a wholesaler that brought me the property, but I went to visit it. The street was awful. I mean, there was no pride of ownership. I was near the railroad tracks, which is another issue, but all the other streets were perfect. And it was because of that one street, I had to pass on the property. So going back to turnkey buyers, a lot of them, I do caution them that, you kind of, when they're looking at some of the C class properties, that we don't really sell C class properties to investors, we just don't. It's high risk. Now, we all know that we had one investor from out of the country that I think I've brought to you guys about a year ago.

Spencer Sutton: But you warned him, you warned him.

Jonathan Mednick...: Yes, yes. And that's what I tell him. He came from South Africa, and super nice guy, and he wanted to buy a C class property. He saw the returns. I said, "Here are the recommended rents. What I think that you can get for them." I sold him 10 houses. I just brokered the deals. I put them in touch with a few handyman. I said, "These are not guys on our crews, but if you want, here's some guys that you might want to use." And he had some real challenges getting those properties, not only finished, but rented. And I think the last time I talked to him, I think he had about five rented. He didn't hit all his rental numbers that he thought he would. He had two that were broken into, and one, it was just a complete disaster.

Jonathan Mednick...: I think the rest were just vague. He came to me and he said, "Maybe I should just sell them." And of course, as a broker thinking, "Oh, I can earn a commission." I just told them. I said, "No, you've got to really just charge through this. You committed to getting this done. I mean, you've got to look at the long game. Finish your renovations, get them tenant occupied and hold onto it for the next 5 or 10 years. You'll be fine once we're finished." But he took a risk. And you know, now he saw the reality of it. I don't know if he still has the properties, but I cautioned him from day one that you really need to stay away

from these areas. But he went against my recommendation, and that's what happens.

Matthew Whitaker...: Talk a little bit about what somebody ... if somebody wanted to start buying from a turnkey provider like you, what type of cash do they need? Are most of your investors financing a portion? What's typical? You've been doing this a long time, what are the most successful buyers doing from a financing standpoint?

Jonathan Mednick...: And typically every one of them were financing. They're using Fannie Mae. They're usually getting anywhere ... I've seen their rates as low as 4% and as high as maybe 5.25%. Typically, 20% down. Traditional closing, like any other property you would buy that you are going to occupy yourself. A lot of them are using those Fannie Mae slots to get up to 10 properties, investment properties, and they've really been taking advantage of those. We've had a couple of 1031 exchanges. There's a lot of them who are using their retirement funds, their 401K and IRA. So there's a lot of companies out there that they use in which they advise them on purchasing a turnkey property. But the majority of them, pretty much all of them are financing.

Spencer Sutton: Well, Jonathan, thank you so much for just spending some time with us, giving us some education, man. I know I learned some things today. You've been doing this for a long time. So if any of our listeners out there wanted to get in touch with you, what is the best way to do that?

Jonathan Mednick...: They could email me. It's Jonathan@REItrader.com, J-O-N-A-T-H-A-N@REItrader.com. My cell phone, they can certainly call me if they want to, (205) 924-5045. You can certainly reach me through you guys as well. Our website is a REItrader.com. We do post properties, turnkey properties there as well. So, if they want to get on our email list to receive turnkey properties, we are going to be releasing several I think later this week, early next week.

Jonathan Mednick...: For us, it's always first come, first serve. We have repeat buyers who bought from us continuously and some of them like to have a short list. We don't do that. So most every turnkey property that we do sell usually goes on the contract within 24 to 48 hours, especially now that the economy is shifting into a bear market, this is the absolute best time to acquire turnkey properties. Passive income in a bear market is King.

Matthew Whitaker...: This has been awesome, Jonathan. Thank you so much for your time. I know people will learn a bunch about this. And again, I applaud you for much success here in Birmingham over these last nine or so years since you've been here.

Jonathan Mednick...: Great. Thank you, Matthew. Thank you, Spencer. Appreciate it. Appreciate everything you guys are doing and appreciate the opportunity to be here with you today.

Spencer Sutton: Well, great. So if you are listening, you can subscribe to this podcast anywhere you get your podcast, and we will see you on our next episode.