

Spencer Sutton:

All right, everybody. Welcome to our podcast. I'm Spencer Sutton. I'm one of your co-hosts. We've got Matthew Whitaker with us.

Matthew Whitaker:

What's up, everybody?

Spencer Sutton:

And this is all about... So the name of the podcast is the Birmingham Rental Investor. So if you have ever thought about buying rental houses in Birmingham, this podcast is for you. So, this first episode is really going to be kind of a background, like why should you listen to us? So, we're going to give you some of that background, but if you really want kind of the meat of what we're going to discuss you can just go check out future episodes.

Matthew Whitaker:

Yeah, fast forward, because this may be boring to you. If you're anything like me, I wouldn't care. I'd just go on and see if our stuff's good. But if you care about us, and I hope you do, you're going to listen to this podcast. We'll roll through it really quickly.

Spencer Sutton:

If you want to hear how painful investing in Birm... No, I'm kidding. So, we are going to get into some good stuff. We're going to interview some incredible guests, some really smart investors here in Birmingham, some turnkey providers, wholesalers, people who own a lot of rental property. And maybe even... I know people who have been doing it for many, many years, so I'm excited to kick this thing off. So Matthew, why don't we just start with how we started? That to me is where we need to...

Matthew Whitaker:

Well, one thing about the Birmingham Real Estate investor, this is where we cut our teeth. This is where we are probably the biggest experts. I always joke I'm not an expert in a lot of things, but Birmingham Rental investing is one of them, property management.

Spencer Sutton:

You can do this.

Matthew Whitaker:

I can do both of those. Yeah. So our story is, we had a mutual friend that had basically came to me one day during lunch and said, "You have to see this business that a buddy of mine, who also works with me, just quit his job and started buying and selling homes." And I was fascinated, because I'd always wanted to be an entrepreneur and always wanted to own my own business. And I was 23 years old and thought I'd gone long enough working for others. I'd worked a whole 18 or 24 months for somebody else. And I thought, "Man, this is my ticket to entrepreneurship. They have a plan." And it was HomeVestors, and you were that guy that quit your job.

Spencer Sutton:

I was that guy that quit my job. I had to go and borrow \$15,000 from my dad to quit my job. I was like, "Dad, I've got this thing I want to do. And we've got these big, huge billboards all over town saying we buy ugly houses. I want to start this thing." I don't know why... I mean, obviously I'm his son so he kind of

believed in it. So that's what we did. We started it in 2003. I remember before I even quit my job I went to the very first HomeVestor convention, their big annual convention, and man, got pumped up. It was in Vegas, and came back and quit my job and started wholesaling houses.

Spencer Sutton:

All I was doing at that point was, we had these billboards, we were getting about 100 to 110 calls a month. We were making offers on about 20 or 30 houses that we wanted to buy or that had enough equity to buy them. And maybe we probably closed three to four of those a month. So back then, Birmingham Real Estate, you could put up billboards, you could send out mailers, and you would get massive response. It's not that way now.

Matthew Whitaker:

Yeah, you would get crushed with the number of leads.

Matthew Whitaker:

I think the lesson coming out of that is, if you're coming home from Vegas thinking about quitting your job, probably not the best thing to do. But you did, and listen, for four or five years, we were very successful. I actually ended up starting another HomeVestor franchise. So we weren't competitors. We actually advertised together. One of the things about HomeVestor is you basically combine your advertising dollars. And at the time we were spending tons of money, like you said, on billboards and mailers, I was buying houses. My story is, I was, I actually bought my first house from Spencer.

Matthew Whitaker:

Spencer is the guy that got me into this business, bought my first house and fixed it up and put a tenant in it and refinanced it, pulled a bunch of cash out and then went and did it again. And once I did it a second time, I was kind of working on nights and weekends fixing it up. And I had a day job that I thought, "Man, I am out of my day job." I just basically refinanced a home, bought myself six months worth of cash. And my, then living expenses, it probably wouldn't last 10 minutes today married with two children, but I had bought myself six months of living expenses. And I thought, "Man, I can always go get another job." So, that's what I did. I started full time investing. And one of the ways I started doing it was I was 23, 24 hours painting these houses myself.

Matthew Whitaker:

And instead of paying a painting contractor 2,500 bucks, \$2,000 to paint a house, I would do it and do a lot of the work myself. So that's kind of how I got into the business you were with HomeVestors. I was not with HomeVestors at the time, but on my second refi., I ran into a guy who was a mortgage lender here in town. And he said, "Hey, I've got this investment group and we'd love to own a home." He was buying houses from you, I think at the time. And he said, he's like "This whole investor franchise would be awesome. And we need somebody to run it, would you do that?" So, all I say I had a lot of time and no money. He and his group had a lot of money and no time. And so we got married.

Spencer Sutton:

And it was good. I mean, that was a honeymoon. So, these first few years were incredible. Just a honeymoon. Is there a deal that sticks out to you in a good way? Is there a good deal that you remember that you were just like, "Man home run." what was it?

Matthew Whitaker:

Yeah. So there was a street over in Crestline Park, which is right outside of Crestline Mountain Brook. It's the Birmingham side of that area. If you know where SAW's Soul Kitchen is I think, is the one that's there. And we basically bought the whole street. Literally, I bought seven lots on the street. Four of them had houses on them and three of them, we either built or sold the lot and somebody else built new houses on. So there's a street over there that they probably should have renamed to my last name or whatever.

Matthew Whitaker:

That was a great... Like one deal we flipped, it was like we made like 70 grand on one deal. And it was like a straight flip, like no money in. And it was kind of that day where you're just like, "I'm really this-"

Spencer Sutton:

Look how smart I am.

Matthew Whitaker:

Look how good I am.

Spencer Sutton:

Yeah look how good I am, look how smart I am. For me, it was a house in Hoover. We got a call and my partner Roland Beason ran down to this house because the family had come in from out of town. The estranged husband had passed away in the home and they wanted... They didn't even want to go in the house. They wanted to sell it the next day within 24 hours. Roland when he called me, he was like, "Dude, this is the number." And so I said, "Make the offer." And he made the offer.

Spencer Sutton:

We got title and close the next day. And we wholesaled that one out. I mean, we sold it within a couple of days and they, I don't know 60, 70 thousand dollars. So again, we were brilliant. Right.

Matthew Whitaker:

Those were the good old days.

Spencer Sutton:

Those were the good old days. And then 2007. 2007 came, we saw it coming kind of a little bit just... You could tell something was a little bit off. So talk a little bit about that time.

Matthew Whitaker:

Yeah, no, it was, it was one of those times that like the more you think about it, the less you realize you weren't being very objective about the signs when you had people that didn't know what they're doing, making crazy amounts of money. That was just really weird. One of the things we didn't realize is we were some of those people that didn't know what we were doing at the time.

Matthew Whitaker:

As Warren Buffet says, "When the tie goes out, you find out who's not wearing any swim trunks." And honestly, when the market crashed overnight, it was in October of 2007 for us, when the Subprime Market crashed. And I remember driving to work one day thinking "I have no business." I can't sell these houses that I own and I've got to figure out either something else to do or some other plan.

Spencer Sutton:

Yeah. So at that point you had rental houses, right? Or you had houses that you were planning on wholesaling out. I had houses. I had actually bought a 10-house package from a guy for \$100,000, all 10 houses. Didn't have leases, didn't have hardly any contact information. It was literally me going out to these houses, no security deposits, probably the worst thing you could ever do.

Spencer Sutton:

But you know, you started to accumulate some rental houses. I started to accumulate some rental houses and now the market's gone. And then even houses that I couldn't really wholesale out, I would just put them in this portfolio, which by the way, if you're listening, do not use that as your strategy. If you're trying to flip a house or wholesale house and you think, "Well, nobody's buying it from me, I'll just stick it in a rental portfolio." Horrible idea. Talk about that. Just being stuck with these rental houses. Because it wasn't like we had some big master plan to build a rental portfolio like some other people that we know that we'll have on the show.

Matthew Whitaker:

Yeah. We did sort of have master plan about a rental portfolio, [crosstalk 00:09:36].

Spencer Sutton:

Your partners did?

Matthew Whitaker:

Yeah. We're trying to generate some cash. I would say of the 30 rental houses that we got "stuck with", 15 were intentional rentals. The other 15 were houses that we just couldn't... Homes we couldn't sell. And so we had to say, "We can't sell this to anybody. So let's just refinance them, put them on longterm loans." And that was one of the benefits having partners, if it had not been for my partnership, I probably would have crashed and burned because they had the ability still, they still had day jobs. They had the ability to go out and help us find longterm financing on these homes, basically pull the money out of it, pay off our line of credit. And then we really, at that point started Golden Key, what's now GK houses, just because we wanted to be able to sell more houses. So, just because we stuck them in our rental portfolio, it didn't mean that we didn't want to still sell them.

Matthew Whitaker:

Now we thought about this was kind of the early days of TurnKey. We thought, "Hey, we're going to sell these to people and they're going to buy them as investments."

Spencer Sutton:

So ours was probably... You all had a plan a little bit better than ours. My partner was actually in Afghanistan. He had gotten deployed and probably at the end of 2007, beginning of 2008, when everything was falling apart, he came back from Afghanistan. And I remember us having lunch at Brookwood Mall, sitting there we scraped together some pennies to buy Chick-fil-A and just sat there and talked about, "Hey, what are we really going to do?" And there's no way that it was going to support us. He and I had rental houses together in entity. I had some rental houses with some other partners and in entity. So, we just had to kind of figure that out.

Spencer Sutton:

So, that was kind of our entranceway or... We didn't start our Real Estate career as looking to build rental portfolio. I would say we were wholesalers really, and then started to accumulate rental houses. And then, like Matthew said, 2008 is when Golden Key, now known as GK houses, started. And ever since, Matthew specifically has been working with investors and really you've probably seen over time, a lot of the people that are going to be listening to this podcast, I would imagine, are out-of-state investors, because we do talk to ton of out-of-state investors, but there weren't that many back in those days. So, when did you start seeing that become more, more popular?

Matthew Whitaker:

Well, the first ones I ever met were... They were basically out-of-state people that backed mortgages to people that own rental properties, and then they got foreclosed on. So, that was the first people I managed for out-of-state that I can recall. And they had about 60 or 70 homes and they basically came to me and said, "We're in a mess. We need you to clean it up. We need you to make it like you're managing these homes. We trust you." I was giving them a lot of good information and trying to be realistic with them. And that was kind of the first time I remember people out-of-state coming to invest. Birmingham's always been a very tight-knit community. All the investors I knew were local up until really that point. I mean, maybe I knew some people from out-of-state. We had some people that were probably coming in on occasion, but it was just not as popular as it is today with platforms that you can buy and sell in multiple locations.

Spencer Sutton:

So Matthew, as you grew GK houses, I came on board at the end of 2014. That was about the time. So you had started to grow GK houses, pretty good size 300, 400 houses. But that was about the time that you went back into this HomeVestor world. You bought another franchise with a friend of ours. You want to talk a little bit about that?

Matthew Whitaker:

Yeah. So, we started to see the writing on the wall. I mean, things started to come back in '12, '13, and things got really good again. And we're probably at the end now of a really long bull run, especially in the Real Estate Market. So, we were on the front end of that. I have a partner whose name's Brian Miles, who basically ran the HomeVestor franchise but we're not HomeVestor franchisees today. That franchise agreement ran its course for five years and now we're not, we didn't renew with them.

Matthew Whitaker:

But he basically ran that business. He and I are still partners. We still buy and sell houses together and he runs that business. He's kind of on the front lines of that. He'd runs the operations of it the day to day. And I've just had the benefit of trusting him explicitly. He's an awesome dude. I think we're going to have him as our first guest on the show and he is all things Birmingham. He knows almost every street in Birmingham. He literally, if you can name a street, he'll go to it in his mind. And you name the house on that street, he may not know the house number, but he can ask you things that it's just crazy the way his mind works. He's really a awesome dude and a great investor. Shoot. I mean, you want to talk about somebody that understands value in Birmingham, probably the best I know.

Spencer Sutton:

Yes. He, just like Matthew said, what's interesting about Birmingham and we hope that we can fill you in on some of this stuff because we think it's very, very important as you start to think about buying rental houses in Birmingham, you need to understand these neighborhoods. These areas can change from street to street, from block to block. And that is something that Brian really does understand, which is a

great asset. I would still text him today if I'm trying to figure out where is this house? I mean, I see the area and I'm kind of familiar with it, but man, he will really understand what's going on. He would have managed a house there or have sold a house around there.

Spencer Sutton:

So there's just all kinds of nuances that I think this podcast will kind of hopefully reveal as we kind of uncover different layers of Birmingham, where you should invest, maybe where you shouldn't invest. Just kind of depending on your risk-tolerance and your goals.

Matthew Whitaker:

[crosstalk 00:15:35] Would be very, very opinionated, one of the things I always tell people, you date your Real Estate Agent, but you marry your property manager. And so we don't want to manage homes. Don't want to tell people to buy in battle locations because we're the ones that have to deal with all the problems as a result of it. So, we're probably going to be a little more objective, maybe opinionated than other people might be. We're just not going to hold back. We're going to be telling you what we think and tell you the truth or what we think the truth is and I hope you learn a lot from this.

Matthew Whitaker:

And if you push back on it, great. We'd love to hear from that too. We want this to be kind of an open dialogue on Birmingham, Real Estate investing. I think it's going to be an awesome podcast because Birmingham's that great city, it's up and coming, the mayor here is doing some really amazing things. I'll tell you where I've just grown more and more proud of being from Birmingham and living here and just really excited about where the city's heading and love to kind of share Birmingham with people that are going to invest here.

Spencer Sutton:

Yeah. And just to touch on what Matthew was saying, we're going to be a very opinionated. Like we don't have any ulterior motive we want to help investors do well here in Birmingham. And like Matthew said, if you bought rental property and you chose us to manage it, we want to manage good houses.

Spencer Sutton:

So we're going to do our best to guide you and steer you in the right direction. Case in point, probably four years ago, three or four years ago, some investors came in town from Utah. And I just remember they had \$900,000 that they had set aside to invest. And we sat down with them in the conference room, they had a list of houses. I said, "Hey, we've been with this person. Who's trying to sell us all these houses. We've looked at the houses. We really want kind of a look at these properties." And so they slid the sheet across to us across the table.

Spencer Sutton:

And we sat there and looked at those houses and we thought, and we didn't just think we said, we were like, "We think you need to take your money and go back to Utah. You can do better than this somewhere else. This is not the place for you." So, that's the kind of stuff, that's the kind of advice we want to give, is just be super transparent and very honest with you. And hopefully, again like Matthew said, if you have to push back, great. We don't claim to know every single thing. And we just want to do the best with anybody who asks us and anybody who's listening.

Spencer Sutton:

All right, Matthew. So, that's our intro podcast. Just kind of a little bit about our background and what this podcast is going to be about. Anything in closing you want to say?

Matthew Whitaker:

No, I'm just excited about exploring Birmingham. We're going to have some really cool people on, some people that are doing some really cool things and have done some really cool things here in Birmingham. So, very pumped to be doing this podcast with you. And I hope people get value out of it.

Spencer Sutton:

I'm actually looking forward to learning a lot as we start to interview these people. So, all right, everybody. You can subscribe to this podcast wherever you listen to podcasts. So, do that now, if you find value be sure to leave us a review. We would definitely appreciate it. All right, until next time, we'll see you later.