Alpesh Parmar 0:00
Welcome to wealth matters podcast. I have Jeremy roll with me Jeremy started investing in real estate and businesses in 2002 and left the corporate world in 2007, to become a full time passive cash flow investor. And I put an emphasis on passive because that's what I really want it to be. Of course, I became also active. He's currently invested in more than 70 opportunities across more than a billion dollar worth of real estate and business assets. So I don't think Jeremy, I can do justice to your bio, would you like to add?

Jeremy Roll 0:39
Oh, thank you. Thank you for having me. I'm really happy to be here. Hopefully this is helpful for your listeners. So I'll try to keep it short. So I found Montreal, Canada, originally, I moved to the US in 98 did an MBA over at the Wharton School, which is University of Pennsylvania is Philadelphia. And then I moved out Yeah, I moved out to LA in 2000. So I've been in LA for about two days. Now and essentially I'm a passive cash flow investor full time now I started investing passively in syndications in 2002. And I eventually rotated all my money from stocks and bonds into cash flow. And in 2007, I got out of the corporate world from the cash flow. And I've been a full time passive cash flow investor since 2007. I also co founded in 2007, actually a nonprofit called for investors by investors. Most of our chapters are here in Southern California. But essentially, it's the answer to the question like how can you go to a public real estate meeting without having a sales pitch? So you know, I started it and in fact, we actually lose money off of it every year, we're just trying to break even on the cost of the venue and unite investors, you can learn from each other. We have panelists and speaker format, if you're we have a few chapters actually outside of California as well. So if you want to, if anybody wants to learn more about those they can go on to either for investors by investors comm type in fi bi in the search box. I also have my own investor group. I've been managing since 2002, as well. And basically it's for people who are looking for similar opportunities to what I invest in just passive cash flow stabilized. And essentially, the reason why I got into all this was just for the ability to have more predictability with my retirement account after the.com crash back in 2001. I'm really just fed up with the stock market and a lot. So that's why I target kind of low risk, passive cash flow, and that's how I started. So all in there, hopefully that wasn't too long.

Alpesh Parmar 2:29
No, that was good. So I'm glad that you mentioned about the.com bubble crash because that's when I migrated to United States writing, uh, you know, in Jan 2001, and I saw everything crumbling around me of and I was in it right. And I'm stealing IP somewhat. So that was the most affected industry because I've moved to Bay Area and everything was closing down. So yes, we saw that again in 2009. And we are just seeing that again in print. 20 right. So what what do you see like from stock market perspective, because whenever I'm talking to my friends about investing in real estate passively or actively, they always want to compare it to stock market, then they always mentioned that, Oh, I'm getting 10 20% year over year, you know, why would they invest in real estate or something like that assets?

Jeremy Roll 3:21
Yeah. So that's a great question. And, you know, there's a we're recording this in April 2020. And it's time right now, because the stock market, I'm not a stock market expert fact, I've not own stock since 2007. Just really wow, before disclosure, right. So, but, you know, the stock markets now kind of taking a leg down very quickly, much more quickly than they normally would. And it's kind of come back up, but it's right now as we're talking it's back at a P e ratio that is actually above the highest p e ratio before we had the implosion in 2008. Right. So that's really crazy to me, so that what that tells me is that I'm expecting another leg down. Nobody knows for sure. I'm expecting it to actually be quite substantial still. And, you know, we'll see, we'll see what happens. I would say that if you're comparing to stock markets or real estate, there's pros and cons to each. there's pros and cons to each, I think liquidity is a huge plus. And if you take a look at a chart of what's happened in the stock market is taking a huge, unusually large run up in this last cycle. So there is definitely a so on the one hand, there's an argument to be made that the stock market was, you know, a very good place to be in the past decade. On the other hand, if you look back at that and look at how the stock market works in the very long term, that would actually imply that the stock market may not be as good for the next decade, right? That's just the way the long term so I look at charts. I'm not an expert, but that's something to consider. Real estate is interesting, too, because we're I think we're at the beginning innings here of real estate having a price adjustment, and we're obviously having a lot of challenges in certain asset classes, less challenges and other night but for me I've been using real estate as a cash flow asset hard asset. And the thing about real estate is that, an

d I don't don't want to belabor this, but there's 1000 different ways to invest literally. When someone's comparing th e stock market to real estate, what they have to really do is compare the type of real estate investing they want to do, and the type of stock market investing they want to do, because there's a lot of different ways to invest in the stock market to do so it's a tough question to answer because you have to compare it to like the type of real estate invest, y ou know, because you can do graph development, and maybe get higher returns in the stock market, you could just s tabilize cash flow and maybe get similar. And in fact, still better, in my opinion, in the long run average, yes. But the re's a lack of liquidity. And there's other disadvantages, and there's a lack of control if you're passive. So there's all t ypes things we talked about. It's kind of a little more complicated than that, but there's definitely pros and cons to ea ch. No, that was great though.

Alpesh Parmar 5:50
So you and I both started as passive investors and you do and I do both passive and active. Now I'm always compari ng you know, deals buy deals syndicated by syndicator. So I want to focus on you know, during this podcast I want t o focus on how do you bet your syndicator. So, you know, when you are investing passively, what are like top 10 thi ngs you look at?

Jeremy Roll 6:14
Yeah. So, um, you know, I have other podcasts discussing this topic. And what becomes really challenging is that, li ke, we could talk about this for five hours, like little bottom details, right? I like to keep it more high level. So first o f all, keep in mind that the due diligence we're gonna discuss today is for what I do as a passive cash flow investor ta rgeting stabilized opportunities. It'll be different if you're looking at a development or maybe a major deal, right? So just to talk high level to start, you know, as a passive investor, what I've learned over the past 18 years, in my opinio n, anyway, is that the person I'm making the bet on is even more important than the actual property. That's just my o pinion. Some people may disagree, I consider the property a very close second. It's very important that

Alpesh Parmar 6:58
so that's a great point. Though that is so, so important that you got to vet the sponsor first, right, you got to see the ex perience and how long they have been in business.

Jeremy Roll 7:09
Yeah, we were talking about this just before the podcast.

So what I tried to do is I'm trying to find people who are conservative to match my profile, what I'm looking for in m y personality, who are looking to under promise and over deliver, to basically build long term relationships. And ho pefully have those investors be repeat investors for many years or many decades, right. What I'm trying to avoid is s omeone who's got a lot of good marketing, who's making the numbers look really good. And maybe we'll over prom ise and possibly could under deliver, it doesn't care because they have a really good marketing machine, for example , and they'll just move on to the next investor. Right. And you know, there are definitely both of those sets of people out there. And that's the the easiest way I can describe it. So if you're new to this type of investing, I cannot even if y ou're not new, I cannot stress enough the importance of trying to understand who you're making a bet on before you actually make a bet on them. Now, there's a lot of ways I go about doing that. And I'd say one of the most important things I do is what I call reading between the lines. And it's a little bit difficult to describe, but I'm going to give it a shot anyway. So, I will take I do a combination of things to try to do this. So, you know, if you, sometimes I'll ask q uestions to the sponsor, not for the purpose of actually getting the answer, but for the purpose of seeing how they an swer it. So if, let's say that a, you know, let's say that there's an assumption for years, one through five and an apartm ent building opportunity, that rents are going to go up 5% per year, but expenses lations only going up 2% per year, right, it's already going to fall outside of my criteria, I'm probably not going to want to move forward because I'm no t that type of deal. But even if I was, I'm going to look for, you know, five years when you're actually you know, you 've got 2% expense inflation for five years, and Question is that the answer could be either, you know, there has bee n rent growth of 5% for the last three years in this area, and we just we see it continuing the populations booming an d etc, etc. They may not be wrong, and they may be perfectly right. But that doesn't match with what I'm looking for . Because what I'd rather see is someone who is putting in 3%. And I haven't asked them the question, why didn't yo u use 5%? You know, because there's previously 5%? And their answer could be, well, we think we're gonna get 5% rent growth for the next few years based on how the population has been increasing, but we want to set really conse rvative projections for investors, so that we can, you know, under promise to make sure we're going to hit our targets , right. So I kind of knew the answer, probably before I asked it, but I want I want to ask that question. Just to unders tand better than I was getting, make sure that my thought process was correct, because if my assumptions are correct , and they're validated, then I know who I'm dealing with, right? Because you're going to make an assumption before you validated.

Alpesh Parmar 9:55
That's another Yeah, it's available right there.

Jeremy Roll 9:59
Yeah. So it's really important other things you could do is when you're reading the actual business plan or the overvi ew, you might see sometimes they use verbiage about, you know, you may read the sentence, we assume 3% rent gr owth, but we actually think we may overperform because there's been 5% rent growth, years, but we want to be cons ervative, right? Just agreeing that one sentence will give you an idea of who you're dealing with, to an extent, right. So okay, that's one. That's one thing, you obviously want to also look at all the numbers and the assumptions to kind of read between the lines of the assumptions. And another thing you could do, which is quite interesting to understan d how detailed somebody is, is, remember, once I was looking at Self Storage, you were just talking about self stora ge before the podcast and this operator used, what seems like it's reasonable is they said okay, the average expense g rowth will be 3% per year, right, or 2%, whatever the number was, and they if you went line by line on the pro form a, the projections, you would see they just applied 3% per year, all the way through for 10 years. Seems reasonable, but then I looked at the fact that there was a health insurance that they were paying for a couple of the employees. A nd I said to them, well, health insurance plans are increasing by 3% per year, they're increasing by like, 810.

Alpesh Parmar 11:13
Oh, yeah,

Jeremy Roll 11:15
I can attest to that. Because I, you know, you and I

Alpesh Parmar 11:18
are self employed. So I have seen that they went up sometimes 20 to 25%. Yes,

Jeremy Roll 11:23
I can attest to that, too. Especially in California. So exactly, you know, so. So my response was, well, this doesn't se em right. Because you know, so what, what that tells me is that the operator, even though it would seem okay to just take 3% and put it across everything, it tells me they may not be that detail, because they didn't go line by line and a ctually adjust things right. So you try to read between the lines and try to catch things that may not be obvious that te lls you who you're dealing with. And there's a lot of different ways to do it. I'm going to give you another example b ecause it's such an important point. I'm sorry, I'm going on about the no

Alpesh Parmar 11:54
this is this is the most important on as you and I discussed you in before the podcast right?

Jeremy Roll 12:00
Yeah, so I tell people like, Look, one of the things I have a reserve requirement before I invest with somebody is to meet them in person at least once because I want to do a gut check on my, you know, my read on the person is this p erson I want to make a bet on. Okay? Yeah, that's beyond. That's not tangible, but that's important. But what I also te ll people is that one of my favorite things to do is the site visit is so important, like I'd actually sooner have them do a site visit for me, then if I can only meet them in one place one time, I would choose to do a site visit instead of offi ce visit. And the reason is, because when I do a site visit, I'll ask them to pick me up, and then they'll typically take

me to the property show me the property drop me off. But what's so interesting is that there's two different types of site visits, you can have the first site visit, and let me just take a retail strip center, for example, because it's much easier to picture all this. So if I'm gonna invest on a retail strip Center, which I'm not doing right now, but if I was then, you know, if someone's driving you to the property one, one way they can do it is they can actually drive you to directly to the property, walk you through the property, maybe walk you through, you know, look at all the tenants inside show you like, you know, walk around. So you like the way the property's laid out and discuss it a little bit and then go back and you know, have lunch and go back. Right? Yeah, frankly, that's not a bad thing. You're going to get a lot of information. Okay. The other thing they could do, though, instead, is they could take you purposely on a specific route that they already thought about where they're actually passing by, as you're driving to the property. Let's say there was a Kroger in the price today, you're gonna pass by and say, Okay, this is a competitive center of ours. We looked into it, this one has an Albertsons, the traffic's doing x of dollars per square foot. And this one at the at the anchor tenant, ours are doing y dollars per square foot, we're in really good shape, it's not taking away or cannibalizing any sales, then those go dry by the next one and say this one has, you know, another competitive restaurant, but they both been doing well, you know, and you can see the tenant mix of this one isn't quite as good as the one we're looking at, and they'll actually drive Through, give you an entire lay of the land, bring you to the property, do the exact same type of tour at the property. And then maybe over lunch, I get even more details about the actual area, etc, right and stuff that they've, to me this is two completely different outcomes, right? And it's so important because again, in this first one, it might be okay. But in the second one, you're getting a sense that this person really did their homework. Yes, he researched everything, right. So it's possible the first person to their homework to and maybe knows everything. But in the second one, you're seeing someone who's proactive, who's thinking about all these things, who actually wants to communicate with investors and give them more information?

Alpesh Parmar 14:37
Yeah, so I think it's not just fluff or marketing. You know, actually, the question is prepared even for your visit.

Jeremy Roll 14:46
This is like a lot of reading between the lines that I think is really essential that I think a lot of people don't necessarily even consider doing right. And the other thing too, is that I always do background checks on all the managing members of the of the sponsor entities. Wow. That's really important. I want to

Alpesh Parmar 15:01
highlight that

Jeremy Roll 15:03
that's something that most investors don't do based on me talking to a lot of investors. It's definitely saved me a few times in 18 years like no doubt. And it's a very important step that I would strongly recommend that unfortunately, I just don't see that many people doing.

Alpesh Parmar 15:16
No. So how do you run the background check? Do you ask them for their social security number? Or do you just do like nuber or verify.com been verified.com? And just use their name or phone number?

Jeremy Roll 15:31
Right? So actually, that's a great question. Because again, I do the same thing for reading between the lines, I test them actually. So what I do is I use a service called tlo. like Tom berry office, that's actually owned by TransUnion is very hard to write to you have to have a real office with a certain type of lock to come and inspect everything. It's very specific. But in any event, it's a really very detailed in fact, I know a police lieutenant we're friends with here. We go to the same school and you know, he uses tlo when he arrest somebody Yes, which is crazy. Anyway. So what I'll do is I'll say, Look, I'm going to run a background check on you two things. One, you have to send me your name, date of birth and home address. Now, I don't need any of that, especially if they've got an unusual name. I could use their phone and write username, but I test them and see if they they're willing to give that to me. They're trying to hide something. Okay. I don't ask for their social because I think that's kind of over the line today. So,

Alpesh Parmar 16:25
you know, and yeah, you actually don't need this. This is just, you know, I was throwing it out there, because just maybe I want to see that reaction. Right,

Jeremy Roll 16:33
right. And then the second thing that I asked for, which is probably even more important, as I say, look, is there anything I should know, before I run this background check? And the reason is, I just dealt with this yesterday, you know, there's a lot of things that come up in background checks that are actually reasonable and explainable. Right, I would tell you eight or nine times out of 10 that I find something that I asked you about, I think it's actually a reasonable explanation. So for example, just yesterday ran a background check on somebody. There were three foreclosures that they had in 2009 10 others for single family homes, first of all, already, you can kind of start to add up probably what happened, but there was even a story behind it. You know, it's easy to make an assumption, oh, they invested in it, they maybe had too much leverage that a problem at the time they bought at the wrong time. But there was an even more important better story that actually was an even better explanation as to what happened and how they try to hold on to the bank, you know. So my point, though, is that they chose to tell me that in advance, they could have just hoped that I didn't see it. Right. And so giving them the opportunity to tell you upfront is very important, because it's testing them again and seeing if to try and hide something. I had an investor call me about a month ago and say, Hey, I just ran a background check. This person, I asked them in advance, they didn't tell me anything. And I found that they had bankruptcy in the 2000s. And they said, should I should I invest with them? And I said, Look, I mean, it's your it's your decision. But you know, I think they were probably hoping it's been more than seven years. Maybe you weren't going to find it. Right? Because that's not exactly like a Minor events in someone's life. Oh, it's

Alpesh Parmar 18:02
not something they will forget to tell you. Uh, yeah, Chapter 11 bk No.

Jeremy Roll 18:07
So because they test them, and because they didn't say anything, they actually decided not to invest. Because it's like, a lot of people you can make bets on, it's not worth taking the risk. Right. So, again, I think both of those steps are important tests. And you know, just to see what happens it just again, trying to read between the lines of who you're making the bet on.

Alpesh Parmar 18:25
Oh, that that's amazing. You know, what, what all the topics or points you mentioned, I even didn't think of any of those. I did then the background check. Yes. But yeah, like the drive by site visit. Yeah, that's amazing. So what's the next then next would be you know, get the deal. It's on the property.

Jeremy Roll 18:48
Yeah. So that's kind of like the intangibles I call them, right. The reading between the tangibles of the stuff that I think is a little easier because you know, you could set your own metrics so you can look at you know, rent to rent increase assumptions for inflation expense increase, essentially every every type of property is going to be different, you know, apartment no different than a cell tower.

Alpesh Parmar 19:08
Anyone in the neighborhood in the market? Yeah.

Jeremy Roll 19:12
Speaking of high level, but you're gonna want to look at expense ratios to see how concerned they've been as far as their assumptions on how much expenses are how much reserves there are, how much padding there is, you're absolutely going to want to look at the reversionary cap rate, which is the cap rate they're assuming to sell the property out down the line, the date that they increase the cap rate over time, did they not, you know, that helps them to make the numbers look better or worse, depending on how conservative they're being. That's a very important point to look at.

Some of the vacancy assumptions. One thing I look for personally is that even if I investing in a 100% occupied apa rtment building, as somebody said to me, there, this has been 100. It's a student housing building. It's the first proper ty across from University of Pennsylvania and it's been full 100% for the last 20 years. Good. I would say I still wan t to see an 8% vacancy factor right?

Alpesh Parmar 20:00
Yeah, you know, and no like, no is no one expected this.

Jeremy Roll 20:04
But what are what's so important is that if if they use, let's say if they use a 3% vacancy factor, some people might th ink, okay, that's reasonable, it's been 100% occupied, they're giving a little bit of leeway. I want to see someone give a lot of leeway. That's what I'm looking for. Right? That's why you've got to look at the numbers, but you've got to create numbers that you're comfortable with, depending on the type of investing you're doing. And just your own opi nion, this is subjective, obviously, I see. So you're gonna want to look at all that you're gonna want to see and what t ype of comps the person ran as far as purchase comps, meaning the comparable sales recently, rent comps, right? An d then you're gonna want to get a sense also of the general demographics of the area is it's been a growing area or no t. Yeah, what's

Alpesh Parmar 20:44
the average household income on migration? Phantom? Yeah.

Jeremy Roll 20:47
And actually, even that's the basics of like, I'm buying this, you know, high end Self Storage property, but it's in the middle of a very poor neighborhood. Does that make sense? Right even just the concept of that it doesn't quite make sense where The property's located. So you get a sense of a lot is by looking at a lot of data. And what I like tell peo ple, though, in the end of the day is that the way I approached who you're making a bet on is with the numbers you h ave to trust, but verify,

Alpesh Parmar 21:13
right? Yeah, always.

Jeremy Roll 21:16
Because you're not gonna understand how to run the asset as well as this person, you understand how to deal with th em, as well as this person, or business. That's their core focus, but you want to verify they've actually done a good a mount of due diligence. And so where that comes into play is, you want to make sure they run their comps, you wan t to make sure they ran their rent comps or sale comps, you want to make sure they're under demographics. You hav e to verify what they did and decided were they comprehensive enough and do agree with you know, it's a combinati on of were they comprehensive enough? Are they comprehensive enough to want to make a bet on as well as now d o you actually agree in relation to the actual business plan of where the property is located? So you know, high level, there's both sides, there's the intangibles, there's a tangibles and again, each property will be different. I mean, I ther e's a lot of other things we feel like you know, After going through, there's a ton of stuff, but I wanted to try to keep i t high level.

Alpesh Parmar 22:04
So let me ask you a question right there about the data are theirs? Or can you share some of your favourite favorite t ools or websites you use to gather all this data? means I look at ct data.com, for demographics, salary, crime rate, etc . But do you use anything else? And

Jeremy Roll 22:24
that's a very common when I say that's one of the most common ones, what I would say is, here's what I actually do, which is a little bit different than that approach. I asked the sponsor to give me all the data that they actually put toge ther. Okay, that's what I do, because I'm trying to verify what they've done. And what I'll do is I made them cross ref

erence it. So I'll give you an example of demographic data. It's a very easy example. They'll give me a data set they got and it will be from some source, it could be from CT data, it could be from some

Alpesh Parmar 22:49
right cost something very often

Jeremy Roll 22:51
it's going to be from most or more of a profession. Because this expensive, you know, to get access to it, you and I ar e not gonna have X Nope. Take that data. Because every data sets different, you know, yeah, growth assumptions th at's based off of someone's work somewhere, right? So hey, I will take that data, I will then pull up. This is gonna so und very rudimentary, but I'll pull up Wikipedia. I'll pull up Oh, okay. Okay, they're gonna have their own data in th ere almost certainly about a city data, that data often comes from the census, but also can come from other data sour ces. And what's really cool is actually compare the census projections, for example, to the projections or whatever d ataset or you can go to city data, or you can go to other sources that you may find in the Wikipedia page on its own t hat discuss because it's not always a census that they're they're quoting in that, right. So I like to have that reference on the Wikipedia site, actually pull up multiple sources that are related to that exact area, as well as city data because that one, just obvious. So I want to mention one more thing I forgot to mention about the data side is very, very imp ortant. I think a lot of this is something I you know, took time for me to learn and it's very important. I think that a lo t of people high level may look at some numbers, but don't consider the loan terms who the loan is with and what the risk is fine alone. The fact that we're having this conversation at a great time, because right now, if you own the pro perty without a loan, you may be having some challenges, but the biggest challenge of the debt is gone. Right? Yes. So if you're in a retail strip center, and you're getting 50% of your collections, then you have to pay taxes, maintenan ce insurance, everything else good. You're probably just fine, right? Yeah, yes. You're still breaking even. Yeah, if y ou're going to retail strip center that's 80% loan to value that was purchased last year. That's a cmbs loan. Wow. The re's everything in between right. So is the loan piece is very important. As an investor what you want to do is set you r own parameters for what type of loan that you're actually comfortable with. Are you comfortable with 10 years of i nterest only or concern conservative? Are you comfortable with up to 70% loan to value 80% loan to value 60% loa n to value it just whatever it is, you have to come up with your own parameters. And when you look at the loan, you got to make sure because the loan presents a lot of risks to investors. And it also presents a lot of reward. But it's fall ing within your risk profile. And I think one of the big mistakes some investors make is they don't create their own l oan parameters to look for. And the problem with that is that sometimes a 75% loan to value will end up increasing r eturns, but that I think the investors won't necessarily account for the fact that there's increased risk as a result. Right ? Of course, the question is, do they understand what that risk is well enough, and they do want to take that risk to g et that extra turn or not. It's something they may not even ask themselves. So just basic, is it's not just a question of l ooking at those numbers. You've got to really dig into the loan, understand what some of the loan risks are. I won't e ven get into like a loan, a three year bridge loan that was taking off on a value add property two years ago. If the val ue isn't executed until now your property one year is probably going to be worth less, right maybe wasn't what you t hought it was. And now you may end up foreclosing year and a half. But maybe you didn't understand the loan well enough to know when you looked at it that that was a that was a risk.

Alpesh Parmar 26:06
Yeah, this this loan thing, you know, actually blind sites invested a lot of time.

Jeremy Roll 26:13
Yeah. And it's it's something that investors shouldn't be blindsided by I'm not saying there aren't a bunch of 1% risks that can result in a bad situation. Right, right. But you want to understand what you're getting into, rather than being surprised what you got into and the loan piece is very important to understand.

Alpesh Parmar 26:29
And sometimes so are you in a lot of time in the grand scheme of things that 1% return wouldn't make much differen ce in after end of year five, right? If you're getting 7% prayer for 8% graph, if you if the IRR is going to be 17 or 18 % a day and it's not gonna matter much.

Jeremy Roll 26:48
But yeah, you want to create your own parameters of where your comfort level is both in terms of interest only or not loan to value or not. length of the loan, you know, do you want to be 10 years Five years, three years, whatever, depending on where we are on the cycle, and by the way, I will adjust cycle at the end, I might be okay with a five year loan at the end of the cycle, I'm only going to look at a 10 year lock. Right. So and by the way, there's also loans that are either fixed rate or floating rate. Mm hmm. And I really hope that people out there understand there's a huge difference if interest rates go up or down a floating rate that can materially affect the ability of the property to perform. So, you know, I don't want to get to make it too complicated, but it is an important thing to learn. So you can actually have an opinion about, you know, there are some deals that I pass on immediately, just strictly based on the fact that a lot of deals just based on the type of loan that's being used and that it just doesn't line up with my own risk profile.

Alpesh Parmar 27:44
Wow. That's amazing. So this is this is great. Is there anything else we should talk about? Why you know where? Of course I know there is a lot but in high level.

Jeremy Roll 27:56
Yeah, I'm trying to think high level of what we didn't cover so far. far. Yeah, you know, I think that the concept of meeting someone in person is very important because it surprised me a number of times where, you know, either I wasn't sure about a deal, and I kind of flew out somewhere a little bit hesitant to be honest, I remember there was one particular trip, and I walked away, I was like, You know what, I'm very comfortable with this, I'd actually didn't think I was going to be, you know, and the other things happened to the other way around. It's happened to and I think the gut check is very important. A gut check that is a combination of background check, reading between the lines, data and meeting in person. And to me meeting in person even though I realized that's not feasible for a lot of people that are live.

Alpesh Parmar 28:36
And right now everyone should be doing zoom meetings, okay.

Jeremy Roll 28:40
And, actually, zoom meeting is frankly, better than nothing. If you resign, it's still better than nothing, and it should be part of someone's gut check. But the end of the day, when you're a passive investor, I like tell people like I consider myself training control for diversification. Okay, now what I mean by that is I'm a small piece of a bigger deal and I Giving control to somebody else to manage the property. But not only that, but my vote is so small, it's not really consequential as an individual right? percentage ownership. And because of that I need to be diversified across asset classes, geographies, and operators. But I also need to understand who I'm making a bet on when I'm handing my control over to each individual. And so it's really important to get that gut check done at the end by taking all those other steps. That's a very important thing to keep in mind.

Alpesh Parmar 29:26
That's great. That's That's awesome. So let's take a quick break. Jeremy. We'll be back after the break.

Alpesh Parmar 0:01
Welcome back to wealth matters podcast. While we were through halfway through the podcast recording we lost Jeremy via video but we still had audio and it was I thoroughly enjoyed the entire conversation so for the next part of the podcast I want to ask some questions which I asked you know every guest on the podcast. The first one is Jeremy, rich real estate or finance on maybe personal development book do you recommend?

Jeremy Roll 0:29

Yeah, well, I'm gonna because I'm a cash flow guy and I don't just do real estate I'm gonna answer a little bit differently. I think we talked about this before the recording. I think that if you are relatively new to this investing and you've never read two these two books together in this order, and Rich Dad, Poor Dad, but then also cashflow cashflow quadrant, yes, but I think they should be read in that order. They're additive and sometimes people find them a little slow, but they can truly be completely life changing as far as mindset So from a cash flow investors perspective and someone got out of the corporate wall from cash flow Those are my first two recommendations and

Alpesh Parmar 1:06
I second that so rich dad poor dad changed my mind but crash low quadrant is what helped me become who I am. It's Yeah,

Jeremy Roll 1:15
yeah do read both and for that reason that order and you know, even if you find them a little slow try to get through them is it's worth it.

Alpesh Parmar 1:22
That's awesome. That's That's perfect. So and after this Coronavirus impact, I've been asking each of my guests even before then, because I I thought there is a recession coming. But now, you know, maybe I don't know why it is this, you know, shutting down the border shutting down all the states would act as a catalyst to the further recession. So what do you see in six months or maybe a couple of years so with the real estate prices, you know, cash flow, etc?

Jeremy Roll 1:54
Yes. So, you know, I've had a lot of conversations with people. And it's been great because I've been trying to make sense of what's going on. Here's the conclusion I've come to to make it really simple in case you're struggling with, like, what's going on what's gonna happen in six months. So if you if you take the assumption that we're actually starting to recession, okay, let's put aside when is this going to open up when it's not going to open up just we're starting our session again, we want to talk a long cycle recession was going to come at some point recession started. What typically happens historically in a recession is that it takes one to two years for prices to adjust in real estate. Totally there it goes very slowly. And so you got to be very careful right now I'm planning on sitting on the sidelines for the most part unless there is some really unique opportunities and they will come up in the meantime, but you got to be very careful with pricing. You do not want to invest the wrong price right now. More importantly, I so so if you're having struggle struggling like trying to figure out where it's going to be in six, just think of it Okay, we're in recession, how do I approach a recession? That to me is just the easy way out, right? Okay. And then I'm waiting for three things that will happen. recession in a recession. I'm waiting for vacancy discovery. I'm waiting for market rent discovery. And I'm waiting for asset price discovery. Okay, if that's actually happening very slowly, and I think the virus is making it even more critical to focus on those items right now, because I think there is major changes in some asset classes. But until you can get all three of those, it's very dangerous to invest in anything. Now, that being said, if somebody approaches me with an opportunity today, what I tell them is look, because I don't know, vacancy discovery, and I don't know, rent price discovery, you have to give me 2021 or 2022 pricing for me to even think about it. And what I mean by that is that it has to be lower pricing, because I'm pricing because what happens in a recession is that things adjust have rates adjust typically upwards. Yeah, therefore you have lower pricing. So for me, I'm looking for a major adjustment and pricing to make sense of looking at anything And I'm still hesitant at that point, each asset class is different to I have a debate of, you know how each asset class is going to get through the next recession, basically.

Alpesh Parmar 4:11
Yep. And just to remind my listeners that gap rates have been compressing for last 10 years. And as soon as the recession hits is your lead goes back up, and as they go back up, the price go down. That's how they're related. So, yes, and of course, as Jeremy mentioned all also that all the assets class could behave differently some asset classes may go down significantly also depending on the market today, right, because if the market was heavily reliant on manufacturing or certain aspects of industry, if not right now, as of today, April 21, let's say the market which is relying heavily reliant on oil and gas, they are going to see significant impact no matter what. So it is not going back up to hund

red bucks a barrel in the near future. Definitely not Definitely not. Right. So no, this is awesome. How can I How ca n my listeners reach out to you, Jeremy?

Jeremy Roll 5:06
Absolutely. Yeah. So feel free to reach out to me if you're brand new and you're just curious, like another way I can help essentially, that's probably the most important thing. So, you know, I've got 18 years experience if you're new a nd considering past investing, if you want to have questions or brainstorm, happy to help, if you're an operator who has opportunities, I'm happy to connect as well and take a look at them. If you have another investor group that you'r e managing and you just want to network that would be great too. And I'm always happy to help also network of cou rse, with experienced investors trade notes and stuff, you know, just like we've done here, so please don't hesitate to reach out to me my email is the best way to reach me. The best way is J roll j r o Ll at roll investments r o Ll invest ments with an s.com. So j roll at roll investments calm. That's the best way to reach me.

Alpesh Parmar 5:51
Thank you again, Jeremy. And I can definitely attest to the fact that Jeremy is really helpful and very responsive. As soon as I emailed him. I got the response. Lately, and every time I would reply, he would respond again. Right. So I appreciate that. Thank you again, Jeremy.

Jeremy Roll 6:07
Absolutely. Thank you for having me on today. I hope that this was helpful for for your listeners. Absolutely.