

Spencer Sutton:

All right everyone. Welcome back to another episode of The Birmingham Rental Investor. I'm your co-host Spencer Sutton. I've got Matthew Whittaker here with me as my other co-host and we have a special guest today, Les Jenkins. And so, Les, we're excited to have you with us.

Les Jenkins:

Great. I appreciate you letting me join.

Matthew Whittaker:

Yeah. Les is a competitor of mine in more than one thing. We're baseball coach competitors. So we've competed for years in Little League Baseball. So it's good to have you, Les. Thanks for coming on the show. And I know people are going to learn a lot because you've been doing this a long time. How long have you been kind of in the Birmingham investment real estate scene?

Les Jenkins:

Oh, I would say around 15 years. I grew up over in Mississippi and graduated from Ole Miss back in '97. When I came over in Birmingham, I had a banking finance degree, so I worked in commercial lending at a local bank here for a while before I started getting into the real estate side. And, as you know, the banks back then, when the market started to turn, they started buying each other. So, me and a buddy of mine, which was in an accounting field, we decided to venture into real estate. So, that's kind of how that formed.

Matthew Whittaker:

So what would you're

Matthew Whittaker:

Did you start by investing, or did you start with buying and selling yourself or did you start representing people as their agent?

Les Jenkins:

I actually did both at the same time because right when I got in the market started to turn, so we immediately saw the foreclosure market. So we identified that right off the bat. So I basically moved over to acquisitions in our company. Now I do work for Keller Williams and do normal home sales as well and been doing that the whole time.

Les Jenkins:

But as soon as the market had a turn, we noticed that, and we got into that foreclosure market, and started investing.

Matthew Whittaker:

And you're talking about the '07, '08 recession?

Spencer Sutton:

'08, yeah.

Les Jenkins:

Yes. Yeah. Yes.

Spencer Sutton:

So, when you say turn, you mean turn down, like in a really bad-

Les Jenkins:

Turned, yes, down. In a really bad way. Right. Which, for an investor, it's a really good turn if you're acquiring properties.

Spencer Sutton:

Speak for yourself.

Les Jenkins:

Yeah. But, yes, it was the bad turn in the market at that time.

Spencer Sutton:

I think it was probably a great time if you were just getting into real estate, you had cash, you didn't have to rely on financing or anything like that. It was probably a beautiful time to get into real estate. Matthew and I were in before that, and so we rode the roller coaster up and barely hung on on the way down.

Les Jenkins:

Well, I'm just saying that you guys being in there beforehand, it was probably a different view as me coming right in and walking right into that.

Matthew Whittaker:

Talk about your strategy during that time, Les, because it appears we may be headed towards something similar or could be heading towards something similar. Talk about your strategy at that time for people that are getting into investing right now.

Les Jenkins:

Well, the name of the game, is money. So you need to, basically as much money as you can pile up, go ahead and do it. And we were into the acquisitions. So we bought as many properties as we could. That was the name of the game at the beginning. And then we had to put together a good contractor. We went and found a good contractor. So we knew in the end that we could sell them on the backend. So we just acquired as many as we could, and that was essentially the game then starting off.

Spencer Sutton:

When you were acquiring properties, you were thinking hold? Or were you thinking... When you say you can sell them on the backend, were you thinking, "Hey, we're going to buy these, rehab them, and then flip them?" Or were they for more long-term rentals?

Les Jenkins:

Well, we had three, kind of a three-headed business model. We bought them for hold. And then we bought them, remodeled them, putting renters in them to sell on the backend. And then we also did your normal remodeling and selling on the market. So if you could acquire a nice home and let's say just stay there as your home at that time, which you could at that time.

Spencer Sutton:

Mm-hmm (affirmative).

Les Jenkins:

We did that as well, in mind to sell to a homeowner versus an investor.

Matthew Whittaker:

Talk about where you got your money, where you raised capital. Obviously, you don't have to give names, but is this like friends and family money? Is it bank money? Where did you get the money?

Les Jenkins:

Well, a little bit, it was my own. And then, yes, we did a lot of fundraising. We had a big contact out of Oregon that we met up with and he basically funded us for a long period of time. And then you get to where you don't really need that funding, or we created other avenues out of New York and a couple in California. But as far as money, that's the only place that we would go. We wouldn't go to the larger banks. It was pretty much private-type money.

Matthew Whittaker:

So you kind of scraped it together it sounds to begin with, and then once you started being really successful people, money seems to find you when you get kind of a track record.

Les Jenkins:

That's right. Yeah. Yeah. It's very important to have a good reputation in this business, because once you do the money will come find you. And advertising on the national sites, like LoopNet, it gets your name out there. Bigger pockets you could get on those type deals and get your name out there. And then our Oregon connection's real big on bigger pockets. So he throws our name around a lot out there. The money part, it seemed to find us somehow. I guess the deals were so good here compared to California and Vegas, so it seems to find you.

Matthew Whittaker:

Talk a little bit about your turnkey business. Because you mentioned that was one of your three-headed... And the show is really for rental investors. So talk a little bit about your turnkey business. What types of properties were you buying back then in terms of year built, maybe even some areas, and then kind of give us an idea of scale, how many properties you bought, and who you were selling to?

Les Jenkins:

Okay. Well, wow. At that point in time, I could buy as many as we could get. That's how good the market was as far as finding foreclosures. You know that, Matthew. I mean, I would stay busy all month long, nonstop closing deals.

Matthew Whittaker:

Yeah, for a while that was a competitive... Because it was either me, you, or one other group, was buying them.

Les Jenkins:

That's right. You know, there was about three or four of us. That was really [crosstalk 00:07:38]

Matthew Whittaker:

Those were the good old days. We didn't know how good we had it at that time.

Spencer Sutton:

Mm-hmm (affirmative).

Les Jenkins:

Well, yeah. I would say I'd like to see that again, but what comes with that is there is a really bad market for everybody else. But, yeah, we-

Matthew Whittaker:

Well, it's possible.

Les Jenkins:

It is possible, But we... What was your question, the second part of that?

Matthew Whittaker:

Just talk about the scale, how many homes you bought during that kind of recession period, maybe for three or four years, and then Spencer was curious who you sold those to. Types of properties?

Les Jenkins:

Okay. Typically, we would stay, at the point in time when you could be choosy, we would stay in the \$19,050's to sixties range, because they were easy to remodel for us. The way they were built, it was just an easy remodel. So we would crank as many of those out as we could. That could be your typical sought-after areas right now, like Center Point, Adamsville, Hueytown, those type areas. And as far as the numbers, I would probably say we've done... Right now, I know we've done over a thousand homes, probably 400 or 500 over in the East Lake, Center Point area, and probably 400 or so on the other side, Hueytown, Bessemer.

Matthew Whittaker:

So, you're just getting started. You just started doing this Less.

Spencer Sutton:

You're a newbie, what a newbie.

Matthew Whittaker:

And then the last part of that question was who do you sell those homes to? Is it a private individuals? Are you selling them to funds? What is your exit strategy for your turnkey?

Les Jenkins:

Well, that's changed as well throughout the years. You guys probably know too.

Spencer Sutton:

Yeah. I was about to say, when Matthew and I were doing this, there weren't a lot of out-of-state investors. There were not institutional buyers in Birmingham. So how have you seen that change?

Les Jenkins:

That's right. Well, it changed for a while where the big guys started coming in. I could put names on here, but I'm not sure if you want that. But there were some larger institutions that would come in and we would hook up with them, and they knew that we were suppliers basically. So they would come to us. And as many as we could do, they would gobble up. I'm trying to figure out... I'm trying to figure out the year. Probably 2013-14, that started to change. Because those institutions, they had basically gone away because the numbers had gone down on the foreclosures. So your inventory is not there anymore. So now we're having to go to individual buyers. We have one in New York, that's... He kind of runs a fund. We put together four or five different packages of, let's say, 35, 40 homes. And, they usually buy those like that. Now, individual buyers are tough to come by, to be honest with you, for us anyway, locally, because they want to do it themselves. And I know we've planned on talking about that later.

Matthew Whittaker:

Yeah, no, no, no, no. That's perfect. And we will get into that later because you've also helped, personally, a number of people put together rental portfolios as their agent too. So I do want to get into that in a minute. But, let's keep talking about this. Tell me a little bit more about your strategy, kind of post-recession. We've been on a long real estate bull market run. Obviously, you're selling to this New York institution. But what have you been doing over the last seven to eight years? How has your strategy changed?

Matthew Whittaker:

[crosstalk 00:11:43]. Right.

Les Jenkins:

It's a lot more work, a lot more work. It's about being connected with the wholesalers in town. We go to the courthouse. We buy them from the courthouse a good bit. And just my agent contacts from being in the investment business for 15 years. I have agents that'll call me, "Hey, we got these deals here." And that's just for me having a lot of contacts out there. But pretty much more boots on the ground, as hard as you can work. You got to be at that courthouse once a week, and you're going to... I don't know if you guys have been lately, but you know, it's getting as fierce battle up there as it is anywhere else. So it's really hard to acquire them now.

Matthew Whittaker:

It's crowded on the courthouse steps, right now.

Les Jenkins:

Yes, it is.

Spencer Sutton:

So, you're buying houses from wholesalers, you're rehabbing them and then you're selling them to some institutional investors, like groups up in New York. But what about, what can an individual expect? How can they purchase rental houses here in Birmingham?

Les Jenkins:

The same way. Number one, you need to get a good agent that's experienced in the investment world. Just finding a normal real estate out of the phone book is... While they're good at what they do, you need to find somebody experienced that's dealt with investors and it just makes it a lot easier. I do have some individual clients as well that I help. And one big market right now is spilling over from Atlanta. Atlanta, it's hard to find anything under the 1% Rule over there now. So I'm getting a lot of spillovers actually from Atlanta.

Spencer Sutton:

Are these Atlanta investors that live in Atlanta, or are these people from California that are trying to buy in Atlanta and now switched-

Les Jenkins:

No. These are Atlanta investors that can no longer find properties there.

Matthew Whittaker:

And you're helping them, Les, buy homes?

Les Jenkins:

Yes, yes. If we could find them, I'm helping them. And I'm giving them avenues to search. It's hard when you have a lot of clients, it's hard to be there nonstop every day. So I try to find them different avenues, places to look and to kind of do some research on their own, and do some due diligence on their own. And then let me come in and maybe acquire the property from them, just from my connections that I may have.

Matthew Whittaker:

So a transaction looks like you kind of get them set up to... Instead of give them a fish, you teach them to fish, and then you're going to help them with the transaction, and probably some of the underwriting, and telling them whether it's a good deal?

Les Jenkins:

Yes. That's right. Yes. And that's important to have somebody here that knows if it's a good deal. I mean, you'll have your agents out there that want to just close a deal. Well, our group, I mean, we try our best to have repeat customers. We don't really take on that many new customers. So these customers come back to us because they know they trust us and they know they can get a good deal with us. They know we're telling them the truth. So we really don't need a lot of new customers because of that. So my advice is to find somebody you trust, even if you have to... Tell you what I did when I started off. I

fronted the money and I paid someone that had experience for me to do a deal with them. Just kind of bird tail them, just follow them along and go through the process. And I paid him to do that, but that was the most valuable lesson I've ever had. The most information I've ever had.

Spencer Sutton:

So it was like a mentor. You essentially-

Les Jenkins:

Yeah.

Spencer Sutton:

You financed the deal and he walked you through the whole process.

Les Jenkins:

Right. And that helps you more than anything. Is to find somebody like that, and find somebody willing is the trick. But it's very valuable information.

Spencer Sutton:

Les, you've been talking about here, you said a couple of times, helping people find a good deal. Describe what a good deal looks like in Birmingham, Alabama, today?

Les Jenkins:

Okay. Well, it depends on what level you're talking, but I'll just give you kind of a rough with what we're doing right now. You asked about returns earlier, they definitely have changed from where they were. So let's say if you're buying a deal for a purchase price \$50,000, and you put your remodel budget's maybe \$20,000, \$25,000, your sales price that you're looking for that is going to be around \$100,000. It's kind of, that's a good scenario there. But if it's going to be a rental property, you're in a management group, so I'm trying to keep this in the rental aspect. So-

Spencer Sutton:

Yeah, sure. Perfect.

Spencer Sutton:

So if I'm looking to buy a rental house in Birmingham, what's a good deal to me?

Les Jenkins:

Well, I would start off with making sure, and that's talking with somebody like you guys, making sure you know what the rent will be in that area. Do not base your model off an inflated rent. You know, somebody's telling you, you could rent this house for \$1,000. Well, if you really can't rent it for \$900, that's going to throw all your numbers off. I've seen that happen too many times here locally. That if you've got a management company telling you what they can rent it for \$1,000, well you're going to base your purchase price, your construction, all your costs based on that \$1,000 rent, and then when you get to the end, and you're only getting \$900, well... I've seen that happen many a times.

Spencer Sutton:

Yeah. A lot of times agents, even agents, like you were saying, agents just don't know what they're doing. They're notorious for overselling what they can rent-

Matthew Whittaker:

Oh, this should rent for \$1,200. Don't worry about it.

Les Jenkins:

Oh, yes. Yeah. Right.

Matthew Whittaker:

At least \$1,200.

Les Jenkins:

And us being in the business as long as we have, those are the things that you just know and pick up on that are helpful for new investors especially.

Matthew Whittaker:

Talk about if you could buy a house in only one zip code in Birmingham, what zip code would that be?

Les Jenkins:

Wow. If I was a new investor and didn't have a lot of money, but you're looking longterm, I would probably, you guys probably already know this, I would focus, in which I am right now, kind of in the North Birmingham area, in the Norwood area. As far as that level of housing now.

Matthew Whittaker:

Interesting.

Les Jenkins:

Because I think that area right there is going to explode, everything's building up out that way. And if you go look at the houses in there, very beautiful houses, a lot of character in that area. So we're kind of focusing on buying in that area.

Matthew Whittaker:

That's awesome. I probably haven't driven down a street in Norwood in five years.

Les Jenkins:

Right. Oh, yeah.

Matthew Whittaker:

As GK's grown, I've been stuck in this office. So it sounds like it's way different. So, that's pretty awesome. It's coming back.

Les Jenkins:

It is. It's growing up over there. Yeah.

Spencer Sutton:

What's interesting is I think I've heard that Norwood's coming back for the past 10 or 15 years. And so to actually, because we had somebody else on here, I think even Brian Miles was telling us, that Norwood is, there are some renovations going on over there and people moving in and buying retail. So it only makes sense that people would want to rent there as well.

Les Jenkins:

It's a great location. I know it's kind of been down for a while, but if you just step back and look at where it's at and what's going on around it, and then the quality of houses that are in there, and even the streets, really beautiful streets through there. I mean, it just makes sense. And I'm already seeing it. I'm already seeing that it's harder to get properties in there because I'm not the only one figuring that out. Definitely, the prices are starting to go up over there. So, yeah, I think that down the road, again, that could be five, 10 years down the road. But you asked me about Avondale.

Spencer Sutton:

Mm-hmm (affirmative).

Les Jenkins:

I think that that's maybe not as trendy as Avondale, but I think it's going on an upward pace as Avondale did.

Matthew Whittaker:

Yeah. And just for context, that Northern Birmingham area, they're building the UAB's football stadium there, which is going to be a 40,000 or 50,000 seat stadium that they'll hold concerts. And the City's also invested... There's a hotel which, there's really two hotels there. One, I think is the Hyatt and the other one is a Sheraton down there. And then they obviously have kind of an entertainment district. So the City is pouring a lot of money in this area. And the Norwood area is literally just north and a little bit east of that. And I will tell you probably when Birmingham was just getting started, you could tell that that was kind of the affluent section of Birmingham before people built on the mountain, just south of town.

Les Jenkins:

That's right.

Spencer Sutton:

Because, a lot of nicer houses up there, they're just in disrepair right now, which are the ones you can buy at a discount.

Les Jenkins:

That's right. And they're really nice. And they will be nice. And another area I was going to ask you guys about, are you seeing anything... We're seeing a uptick over there in the Hueytown, Bessemer area because of Amazon.

Matthew Whittaker:

Yeah. Everybody's mentioned that on our show and I totally agree. I mean, it just makes sense. You're going to have a bunch of jobs out there and everything from Bessemer to Hueytown, down to

McCullough, all the new properties down in McCullough. I think people are going to be willing to move into new homes down there. So maybe even some build to rent down in McCullough, or building to rent in Hueytown. I think there's just a lot of opportunity in and around that area.

Les Jenkins:

Yes. The price is right now, or are still okay. I mean, I don't know how long it's going to last. But, yeah, there's still deals to be made there. Are you guys seeing any of that? I mean-

Matthew Whittaker:

Yeah, we're not, I'm not on the front lines of all those deals as much anymore. But definitely know that everything points to it makes sense. I mean, anywhere Amazon is going to go, there's going to have to be things that support that on top of just all the jobs Amazon's going to create. So it seems like a pretty good opportunity right now.

Les Jenkins:

Right.

Spencer Sutton:

As well as, we've heard it from a couple of different people, Southeast Lake is continuing to come back. So they're seeing retail deals in \$150,000, \$200,000, in Southeast Lake. Which is amazing.

Les Jenkins:

Yes. We're buying over there too. Ten years ago, we were kind of avoiding that, other than certain pockets, but now, especially Southeast Lake, we're buying as many as we can get over there.

Matthew Whittaker:

Are those streets moving better? Because we used to, there was a street that we'd never buy north of, I mean, is it moving north where it's getting better north?

Les Jenkins:

Yeah.

Matthew Whittaker:

Not Northside, East Lake, but-

Spencer Sutton:

Just kind of coming down the hill there?

Matthew Whittaker:

Yeah. Third Avenue South, Second Avenue South, those streets.

Les Jenkins:

Going towards Woodlawn? Or-

Matthew Whittaker:

Yes.

Les Jenkins:

Yeah. Woodlawn, I mean, you see the money they're pouring over there? They put some money in Woodlawn as well. But it's definitely moving. As each street gets better, it's definitely moving now. And the 80th block and above has always been, that's always been okay over there.

Spencer Sutton:

Yeah, up on the mountain.

Les Jenkins:

Right. Yeah, it's definitely moving. I mean, and those prices are being reflected to where I used to buy one \$10,000 or \$15,000, they're \$25,000 now. There's definitely more investors moving in those areas.

Matthew Whittaker:

I kind of want to pivot, you have a background in banking.

Les Jenkins:

Okay. I do.

Speaker 3:

Talk a little bit about how you see successful people financing these deals. Are you seeing people pay all cash? What have you seen over the course of a number of years in the banking industry and then moving into being one of those guys? How do you see success over long periods of time?

Les Jenkins:

Well, it depends on the small bank versus the big banks. The small local banks tend to be more favorable to lend on these deals. Now, what's going on right now? I'm sure it's affecting the banks. I don't know yet. We haven't gotten into it. But as far as over time, just from our perspective, we've always used, let's say, a line of credit from the bank, but it has to be secured by the properties. Well, when I was first starting out, we didn't have to do that. When I was in the bank we would secure, as long as you qualified, I mean, we would lend on unsecured basis.

Matthew Whittaker:

Oh, the good old days.

Spencer Sutton:

For sure, no doubt.

Les Jenkins:

Well, then the banks went down and then I'm sure that's partly to do. But now they're a little tighter on their restrictions on what they'll lend on. But there are other entities out there. I can probably get you

some names after this that we use, that we send to some of our investors that maybe want to leverage a little bit, and these banks will go in and they'll finance 40 homes. They'll just lend it-

Matthew Whittaker:

Will the banks leave them on their balance sheet, these 40 homes?

Les Jenkins:

Now I've heard some local ones will. There are some local guys that will. But for the most part, I'd be surprised. Again, it's been 20 years since I was at a bank. So-

Matthew Whittaker:

Do you know the Fannie and Freddie rules now? Is it still 10 rental properties?

Les Jenkins:

Last I heard, yes. Actually, I had somebody the other day wanting four or five on our package that we have now and he said he only had room for four more due to do the guidelines. So I would take that as a yes.

Matthew Whittaker:

I'll tell you a funny story. My wife went in to get a car one day and she was financing it at a credit union. And the guy comes back and says, "You own three houses." And she was like, "No, I don't. Somebody's stolen my credit." And she finally realized that-

Spencer Sutton:

Her husband-

Matthew Whittaker:

That her husband was the one that had stolen her credit. Now she had, obviously, signed the documents, but she had forgotten she owned three houses and the guy was impressed. She had a great credit score, which she didn't thank me for, but...

Matthew Whittaker:

I'd like to talk a little bit about the current environment. Do you think that your strategy is going to change as things start to worsen? For context, we're shooting this in April and the Coronavirus is kind of in full swing and nobody knows what's going to happen in the future, but it appears it's going to cause a recession. So thinking through, let's say it does cause a real estate bear market for a while, do you think it's going to change the way you approach buying? Is it going to change the way you approach who you sell to? Just kind of any thoughts you have on that?

Les Jenkins:

Well, I would probably in a sense revert back to the way we used to do it. We would probably... You're saying the market turns and the foreclosure market picks up and there's more foreclosures?

Matthew Whittaker:

Correct.

Les Jenkins:

Yeah. Yes. I would definitely start the acquisition phase again, finding as many as we can. if there was one thing I look back at and I regret probably out of everything, and I was inexperienced at the time the first one went around, and that would be, I would probably hold a lot more properties than what we did. We were into the flip, get them ready, rent ready, and sell them.

Les Jenkins:

So I do have hold properties right now, but I would probably focus on building a larger portfolio for myself, actually.

Spencer Sutton:

Let's say we go into a real estate bear market here. What do you think that's going to do to the wholesalers out there? I'm just kind of curious. I mean, because in talking to a lot of investors here lately, they're getting a lot of deals from wholesalers.

Les Jenkins:

Mm-hmm (affirmative).

Spencer Sutton:

Which I'm guessing these wholesalers are spending money on mailers-

Les Jenkins:

Advertising, mailers.

Spencer Sutton:

All kind of stuff.

Les Jenkins:

Well, I would hope that their business would pick up, but there will be other avenues for people to get those, where it may hurt their business. Like the courthouse and MLS, where people don't need a wholesaler as much. But, if they're out there being aggressive, they could pick these up before they reach that status. If I was a wholesaler, I would be looking at the pre-foreclosures, someone who's having a problem, and trying to get those houses before the foreclosure process starts.

Matthew Whittaker:

Les, if somebody wanted to get in touch with you, obviously, you're still out there helping people buy homes, what would be the best way for them to do that?

Les Jenkins:

Feel free to call me anytime. My number is (205) 617-1662. But, are you guys giving out information there? Do I need to give them my email address?

Spencer Sutton:

Yeah, if you want to. Give whatever you want. We're going to be very transparent.

Matthew Whittaker:

That's right.

Les Jenkins:

Okay. Okay. It's lesjenkins32@gmail. And I'll be glad to help answer questions. Anything you may ask about the market, or if I can help you find a property, I'd be glad to help.

Matthew Whittaker:

Yeah, so, Les, this has been really awesome. I appreciate you spending some time with us kind of going through the Birmingham real estate market, Birmingham Rental Investor.

Les Jenkins:

Appreciate you guys letting me join. If you need me again, just let me know. I'll try to show my ugly face on the-

Spencer Sutton:

Once you can shave again and take off your pajamas and-

Les Jenkins:

Then I'll let you know.

Spencer Sutton:

That's right. Then we'll.

Matthew Whittaker:

That's what the real investors do though. They all just work in their pajamas all day, that's the truth.

Les Jenkins:

No doubt. No doubt.

Matthew Whittaker:

Us property managers have to get dressed for a living.

Spencer Sutton:

All right. Well, Les, thanks so much for joining us and everybody if you're listening and you haven't subscribed, go and make sure that you subscribe to the podcast. Give us a review if you like what you hear and we'll see you next time on our next episode of The Birmingham Rental Investor.