

Spencer Sutton:

Hi, welcome back to the Birmingham Rental Investor. I'm one of your co-hosts, Spencer Sutton. I'm with Matthew Whitaker and today we've got a special guest Rob Drum with EXP Realty. And so Rob man, thanks so much for joining us today.

Rob Drum:

Thank you all for having me.

Spencer Sutton:

Yeah, absolutely. I got your name, we were just talking about this earlier, I got your name from a local investor here in town, who I've got a great relationship with. He said we needed to talk. And then I knew the name because I'd seen you post on Bigger Pockets and you've just been giving a lot of really great information about the real estate market in Birmingham during this COVID-19 situation that we're in right now. So, I'm glad we're able to hop on here and talk and learn more about what you're doing and kind of your insights into the market.

Rob Drum:

Yeah, I'm excited to be here, and actually with the business that y'all run, I have some questions about what's going on right now with COVID-19 and what you're seeing, because I'm kind of a data nerd. And so those are questions that I'd be interested to ask you, too.

Spencer Sutton:

Awesome. We'll give you an opportunity to do that for sure. So let's kick it off. I mean, I'd like to know, because we don't know each other very well, this is kind of how we like to kick it off. I'd love to hear just kind of your story. Like how did you get into Birmingham real estate?

Rob Drum:

I guess before I got into real estate, I traded stocks for a company called Bright Trading. It wasn't really like day trading, but it was daily trading, and so I worked there for seven years. In the process of doing that, I got married and so the best real estate deal that I've ever done was the first house that I got and it came with my wife. So I can't do a better deal than that.

Spencer Sutton:

That's right.

Rob Drum:

I married my wife, we moved into her house and then moved out and started renting it, and I was still working in trading. And then we kind of got our feet wet as far as having tenants, repairs-

Spencer Sutton:

What year was this?

Rob Drum:

Right around the end of 2016. And it was actually, we were building a house, we were planning to move. We had the house under contract to sell and the buyer wanted to move in early, so we packed up all our stuff, moved out, and then it was a VA loan and the appraisal came back 30,000 short of the sell price. So I'd kind of wanted to get into owning rental properties, and I was just like, well, I guess we're [crosstalk 00:03:04] So, kind of by accident, but it was something I wanted to do, but hadn't taken that leap. So yeah, moved out, started renting it and really just had that one until probably 2000. I guess it was 2018 when I got licensed, started buying more rentals. I guess it was probably the end of 2017 when I really got into real estate full time.

Spencer Sutton:

Did you have a successful investing kickoff? That was the first house that you rented, everything go correctly?

Rob Drum:

Yeah. I mean, it went pretty well. When I decided to turn it into a rental, I kind of projected, here's what our expenses will probably be. Here's what our rent will probably be. Here's what it'll be worth in five years. Here's where our mortgage will be. And I think we're about year four and those numbers that I projected from four years ago are pretty much going to work out, I think, to be exactly the investment that I thought it was, which is pretty great. Can't ask for better than that.

Spencer Sutton:

Yeah. So it sounds like you basically approached it a little bit like you're investing. You're a stock investor in public equities I would imagine, and you basically approached rental property like that from a finance side. And so tell me how else investing in stocks and your early career helped you with real estate investing now?

Rob Drum:

Well, so I'm a real estate agent and I kind of learned from a mentor. Kind of this, the power of content marketing. Really, I just started putting out data on the real estate market because I wanted to learn how to be a better investor. What are successful investors doing in our market? I just wanted to learn. And so I started publishing my blog, putting out kind of statistics and stories from what I've been doing or learning and sharing that. And really that's kind of carried my real estate agent business to where I don't really do a lot of the things that some agents do like cold calling or I don't really do much direct mail. It's mostly just kind of publishing that content, trying to get it out there. And so a lot of the things I learned about data came from studying stock patterns and how to find the trends in the Excel models and spreadsheets and that kind of thing. So I do definitely look at it and even my rental portfolio now, it's an Excel and it's got projections and all modeled out.

Spencer Sutton:

That's great. And the other thing, before we got on, you also are a former collegian athlete. And so for those of you who don't know, Rob played football at Duke, I'm also interested to know if anything you learned from your athletic career has helped you in your investing?

Rob Drum:

Absolutely. In investing and in being an agent. So I was an offensive lineman and you get hit a lot and you hit a lot of people, and I would joke about we'd wake up at 6:00 AM and run our heads into 300 pound guys. It's not an easy thing to do. And just in real estate deals, whether you're buying or helping someone else buy or any side you're on, you're going to have really bad stuff happen. If not every day, every week. If you're doing this frequently, you've always got just stuff that makes normal people want to quit. So I think probably a level of just toughness that I got from playing college sports that definitely helps with real estate investing and being an agent and just a full time entrepreneur.

Spencer Sutton:

Yeah. I think that's really interesting. We talk, I mean, our business property management is a grind. I mean a grind. And you need to know how it is. I mean, owning rental properties can be tough sometimes, but you know, as I was looking over your blog, something I noticed is kind of a focus that you put on or an importance you put on setting goals. And I think that's real important for people who want to be investors. We talk to investors all the time who are calling, usually from out of state, to learn more about the market, things like that. How important is goal setting in what you've been able to accomplish and like even what you do kind of day to day and year to year?

Rob Drum:

Yeah. I mean, I really used them as kind of like a set the course of what I'm trying to accomplish, like the vision for where I want to go. And then I'm very opportunistic about what I see in front of me. Like for example, this year, I didn't have a lot of goals to really buy much real estate. I was just focusing on other things. And with this virus that's broken out, I'm kind of just seeing some opportunities that popped up and shifted focus a little bit to where I see some things that would fit into a longer term goal. Yeah. I think really for anyone who's trying to be successful in anything setting goals is going to be huge for that.

Matthew Whitaker:

Talk about when you do that? Do you do that annually? Do you review them quarterly? How talk about when you review these.

Rob Drum:

Yeah, I definitely spend a lot of time around December, January, kind of end of the year, beginning of the year. I spend a lot of time trying to think about which way I'm going to go. Honestly, I don't review them that often. I kind of put a lot of time and thought into that period of time, and at the end of the year, it's amazing how many of them I hit. And considering I don't always look at it like I should, I know I should look at it every day, that's what a lot of books say, but for me, I write them and they're still in my mind.

Matthew Whitaker:

Talk about how you come up with them. I mean, do you set like a certain number of homes? Do you set a certain path? Because there's all different ways that people come up with annual goals. So talk a little bit about how you come up with that vision for the year.

Rob Drum:

I think it's varied every year of my career, really. And sometimes, like last year I set a goal, I think I wanted to have 70 closings across my broker's business and my own personal buying and selling. And I think I hit 58, but the way I set that one was what was one business goal that if I hit it, I would be very happy with the year and be very satisfied in a good position going forward? And that was kind of it. And I was like, even if I don't hit that, I would still be in a good place.

Spencer Sutton:

Yeah. If you came close, which you did.

Rob Drum:

Yeah.

Spencer Sutton:

That's a lot of houses.

Rob Drum:

It is, yeah.

Matthew Whitaker:

Talk about the focus of your business, your agency business, brokerage business, who do you focus on? Who do you like to sell houses to? Is it a wide variety of people? Are you very intentional about who you help? I'd be curious about that.

Rob Drum:

Yeah, I would say it's a lot of investors. The kind of content that I put out there attracts, and I've kind of developed a way of working with, especially out of state investors that, works from my perspective and works well from their perspective. So that's definitely a niche that I try to do well at. I've been able to do a couple of these portfolio transactions for owners that have maybe three to 10 single family properties. So I've kind of specialized in that a little bit, done a couple of multifamily, and then in the summer, like this time of year, I think I've got, I'll probably have five or six people that are buying their home to live in. Some of them are looking for kind of a fixer, but some of them are just looking for a nice place. And some are people that I'm close to.

Spencer Sutton:

You mentioned you're marketing through content creation, how often are you putting out content? And then are these people that read your content or are they just really kind of reaching out through the blog, scheduling a time to talk, because I saw that you have the ability to do that. So how often? What's your content schedule?

Rob Drum:

It's varied. My goal has always been weekly, but honestly, sometimes I get really busy and it won't happen weekly, but through this kind of COVID-19, I got back on a pretty good schedule. It's really picked up my business to where May is going to be a huge month that I don't think it would have been if I hadn't been really consistently trying to put out good content for people.

Matthew Whitaker:

What's changed during this time, COVID related, about buying a house? What are some things that have changed that a month or two ago would have been very traditional? How has that changed?

Rob Drum:

Closings have definitely changed. I haven't done one of these yet, but I've seen a lot of them on Instagram and Facebook where they have these drive by closings, where you just drive up in your car, they bring out the documents. So, that's pretty different. And I had a buyer today talking about, he's kind of excited that a first time home buyer, a husband and wife are buying his house because it was their first house and now they're moving up. And so he's kind of excited about it and he wanted to be sure that he could talk to them at closing and just tell them that he's excited for him, wish them luck. And I was like, well, I can't guarantee that we're not going to have one of these drive by closings, because that's kind of common right now. But I think I got a closing attorney that's doing them in the office still. So hopefully they can meet each other.

Matthew Whitaker:

Talk about your success, like does a typical day in your life look like as you go through the week? Is every day, very routine? Is every day just kind of reactive? Tell us what and how do you attribute that to your success in both investing and having so many closing as an agent?

Rob Drum:

What I don't I think we've gotten into yet, is that in the last three years... So, I have three kids and the oldest is about to turn four in July.

Matthew Whitaker:

Wow, no sleep.

Rob Drum:

So I spend-

Spencer Sutton:

Wow, no sleep.

Matthew Whitaker:

I can answer that question.

Spencer Sutton:

So you work all night.

Rob Drum:

I haven't been sleeping the last three years. So, a lot of that time I've been trying to help with the kids and help us all survive. And so today, like there's been times where I've had kind of a regimented morning routine as far as working out, having quiet time, and like all the kind of things that recharge you and help you be more effective. Right now, I haven't really... I can't go to gym, things throw me out of

my routine all the time. And as far as business, it is actually a lot of reactive, which just whatever comes at me that day, check the box and move on to the next box for the next day and which sometimes I like, and then sometimes I'm like, man, I wish I just had like a regular routine. I need like a regular time to do paperwork and that kind of thing.

Matthew Whitaker:

Do you have a team or are you kind of solo?

Rob Drum:

So I kind of have a team and it may get more formalized in the next year. So I've got a group of agents that I'm mentoring and that's part of the reason that I came to EXP was to really invest in other agents and try to help them learn the business and teach them some investing, too. I think that's kind of the beauty of our model at EXP is that makes it worth my time to do that.

Matthew Whitaker:

Can you expound on the model? I'm curious. I don't know the model.

Rob Drum:

Yeah. So, when we made the move to EXP, I was getting my broker's license and I was either going to grow the brokerage or start my own brokerage. What I looked at is what does it mean to be a real estate broker and own a brokerage? And there's kind of four things you're doing and that's developing agents, attracting and recruiting agents, and then you're also keeping track of all the paperwork, and then you've also got the legal liability. And what we saw with EXP was that you could eliminate the two of those that are not very fun and keep the attracting, retaining, growing a group of agents and, and really generating revenue that's kind of in the same vicinity of if you own your own brokerage.

Matthew Whitaker:

Does that differ from the Keller-Williams model? Is it a similar model? I'm just curious. I don't have the context.

Rob Drum:

Well, it's not really similar. So, EXP is set up with 50% of all revenue that's generated by the company goes back to the agents through this revenue sharing program. And it's very clear, it's very defined, it can be a very significant amount of money, and it's based on revenue not profit. So if you look at your balance sheet, it's based on the amount of income, not what's left after everyone gets paid. It's pretty different. And I could tell you stories of some of the people in our company that are just doing really, really well from that model.

Matthew Whitaker:

From being able to develop other people's success, you have success too?

Rob Drum:

Yeah.

Matthew Whitaker:

Talk a little bit about your... I think one of the things I think you've done really well, which I think is important to our audience is I've always told people don't quit your day job. Don't do what me and Spencer did. Go out, quit our day job. I mean, everybody wants to be investing, maybe where we are now, but you do not want to get here how we got here. It was brutal. 2007, 2008, 2009, which we've, well-documented on the show. We almost lost our tails. But one of the things you do is you're an agent by day and you're an investor at night. What percentage of your time do you spend on your day job, which is let's say, being an investor agent and what percentage do you spend on being an investor?

Rob Drum:

It varies. I mean, it swings. Last year, I was doing a lot of flips. And so those take up some time. I was buying a lot more properties last year. So last year I was probably 50/50. This year I would definitely say I'm more like 85% agent. We saw the opportunity with EXP and I've really been working on that side of the business and focusing on that. And now that COVID-19 is kind of maybe creating some opportunities for good purchases, maybe I'll swing back to make it more 60/40 or 50/50, but I kind of just... Whatever pants I want to wear that day.

Matthew Whitaker:

That's pretty good. And do you feel like you have any issues? You represent a lot of, you're an investors, you're an investor yourself. How do you manage the opportunities to make sure that you're still taking care of your investors, but you're also managing your own opportunities? How does that work?

Rob Drum:

Yeah. And that's the question that I get asked a pretty good amount. And honestly I have a couple of just ethical rules about that, that if somebody ever asked me about a deal like a client or even a potential client asked me about it, it's off the table for me to purchase. I'm going to help them try to buy it. And I helped somebody buy a 24 unit apartment complex that was a really good deal. The bank loved the deal. It was good, but he asked me about it and I told him like, it's really good, like you need to buy this.

Spencer Sutton:

But if you don't, call me first.

Rob Drum:

I was. So I was like, we have a deadline of Monday at 2:00 PM to get an offer in, and if you don't do the offer, I'm going to.

Matthew Whitaker:

Yeah, my deadline's 1:50 and yours is...

Spencer Sutton:

That's great.

Rob Drum:

Yeah. So that, and I see a lot of deals. Just regular, run of the mill, like pretty solid properties and not everyone's looking for the same thing, not everyone's looking for what I'm looking for. So I don't think it's that much of an issue.

Matthew Whitaker:

How many units are you up to now you personally own?

Rob Drum:

29 and I'm buying two this month.

Spencer Sutton:

That's great. You've mentioned a couple of times as we've been talking about potential opportunity opening up here. So kind of where we are in the market, and something that you've been doing is giving these updates on Bigger Pockets every single week. So kind of give us a snapshot, tell us what's going on in the real estate market here in Birmingham for the past couple of months.

Rob Drum:

So when this whole thing hit, I kind of had the realization of just that it was going to be, we're shutting down sports events and schools and all this stuff is going to shut down. And there was like a weekend where I had that realization like, this is going to be tons of people who are out of work. Like what's going to happen to all these rentals I have? Are people going to be able to buy houses? All these kinds of questions. And so is it going to make prices go down? And that's what really started me hardcore into looking and tracking the numbers every week. And also tracking, I try to include stuff about stimulus, because a lot of my clients and agents and people I work with every are business people. So I kind of tilt the stimulus opportunities towards business people.

Rob Drum:

But what I'm seeing in the market is really a minimal drop in closings. So I really think over this whole six week period, we're running at about 80% of the amount of closings that we would have had the same six week period last year. So a small drop in volume of closings. In prices, we're still well above, I mean, eight to 10% above where we were at the same time last year, which is very strong growth. That's a continuation of what we saw in February and March, and we'll get the numbers for April this week. I'll pull those. So I really think appreciation wise, we're doing great. And I don't see any reason why that would stop.

Rob Drum:

I talked to people who are looking to buy for their own homes, and a lot of them are saying like, this is the breaking point on the house that I live in. I'm done. Totally done with where we live. We've got to move or they're getting pregnant and they're like, we need the extra room. So I think there's going to be a lot of buyer demand getting stirred up because of this.

Matthew Whitaker:

Yeah. I've heard a lot of people probably get pregnant as a result of this COVID-19 stuff. Everybody's sitting at home. So maybe everybody will be upgrading the number of bedrooms they need, and for us house people will create some more demand.

Spencer Sutton:

It will be good.



Rob Drum:

Yeah.

Matthew Whitaker:

I'm curious when you talk to out-of-state investors and they're asking you questions about Birmingham, I'd love to hear your Birmingham pitch. Why Birmingham? If I called you, why would I invest in Birmingham?

Rob Drum:

Yeah. So, I think there's a couple of really key points. One, we're seeing like a capital rotation from other markets that have been good cashflow markets, high yield markets, places like Indianapolis that have seen a lot of appreciation. And now people looking to buy there, can't find the type of returns that they've been used to. And they'll reach out to me and ask about Birmingham and get interested in our market. So that's something that we've been seeing. It's actually really had an effect on the prices on that lower end of the market, below a hundred thousand. The appreciation on those has been really significantly higher than the higher end of the market.

Rob Drum:

So we did a research article on that, a research post on that. And then another thing is that in the past six months, I've probably talked to three people who aren't from Birmingham, but they've moved here to start their app or start their startup or something that's kind of tech involved, which it was kind of a shock to me. I was like, why? I mean, it doesn't seem like the place that you would go for that, but I think we're becoming that. And so that's definitely a good sign as far as continued growth and being that cool city, maybe that next Nashville. That's what kind of the buzz from a lot of people... A lot of people are already sold by the time I talk to them, they've done the research. But if they're kind of trying to choose between different markets, that's my pitch on Birmingham.

Matthew Whitaker:

Are most of these people, institutional buyers, individuals? Who's buying houses right now in Birmingham?

Rob Drum:

For my clients, mostly individuals, will sell like listings. If I'm doing a listing between 90 and 150, it's almost guaranteed to get an institutional buyer make an offer on it. But most of my clients are individuals. I would say most of them are professionals. Everything varies, but most of them are pretty successful professionals.

Matthew Whitaker:

And what areas are they buying in, in Birmingham? Just kind of general, you can either use zip codes, cities, where are people buying a lot of rental properties right now?

Rob Drum:

So it varies, I have people that have one client who's bought three in Hoover and that's just kind of his bread and butter. And some people are looking more towards like what we would call B class areas. That's like all the suburbs except the Southern suburbs is kind of the way I explain that. And then like

some of the houses that you can buy it for 60,000 or less, I have some people that are looking for those. I usually recommend that they try to either get a portfolio of them or be able to buy a couple because just the volatility of that type of tenant and property mix that could make you not have a good experience. If you just had one you might get-

Spencer Sutton:

Well, I don't know. I bought 10 at one time and I had a very volatile experience that involved all 10 of them, [crosstalk 00:29:30] so I don't know if that's-

Matthew Whitaker:

That was operator error, though.

Spencer Sutton:

There's no doubt. [crosstalk 00:29:34] That was my very first rental properties. My first rentals to ever buy were a package of 10 for a hundred thousand dollars.

Matthew Whitaker:

Spencer sold me my first rental and I had a problem with that, too.

Spencer Sutton:

Listen, yours was a beauty compared to what I bought.

Matthew Whitaker:

It was your fault.

Spencer Sutton:

Talk about, because this really parlays into another question I wanted to ask, is talk about some mistakes you see newbie investors making in the market when they're getting into rental property.

Rob Drum:

I think trying to go from a standing start to a sprint, as far as owning real estate, being a real estate investor. I think you're going to be a lot better off... Like if you've never even bought your own home, which I have plenty of clients who can't afford to buy a home in the market they live in, but they're looking to invest.

Rob Drum:

And so they look at Birmingham, and if you're trying to buy something at a steep discount that needs a 30 to \$40,000 renovation and you don't have any experience, even if it's just owning your own home, it can be a lot to bite off. And you really need to have that kind of confidence to push through and take the next step that's in front of you and buy something really cheap, get it renovated, and then like the burn method that they talk on Bigger Pockets, especially if you're trying to use hard money to do that too.

Rob Drum:

It's just kind of a long shot way of investing, whereas if you buy a house, it meets the 1% rule where rent is equal to 1% of the purchase price, and it's already like a family was living in it before. It's well maintained. You can rent it the next day, you're just going to have probably a very good experience, a very smooth experience, with a house that's maybe \$120,000, rents for \$1200. We just did a deal like that for a client in Pensacola, and I think he's going to do really well on it. And it's nothing special. We didn't have to find contractors to get quotes and like inspect a whole lot of everything. So that's one way to look at it.

Rob Drum:

I do have clients who have never owned a house and they used hard money to buy a foreclosure and they're renovating it right now. So it happens. But I think it's a mistake to force yourself just because you think burn method is the best or owner financing is the baddest or whatever, to not just get in the game and then see where that leads you.

Matthew Whitaker:

And talk about successes. Do you see some of your more successful investors doing things that you think lead to their success that maybe you've emulated in your own investing?

Rob Drum:

Definitely. I mean, working with other investors has definitely made me better. I don't want to say like taking risks, but I think it's more the ones that I see having success are not... Like with the burn method, for example, they know that real estate is for the most part going to be very, very conservative and they don't have to analyze every single little detail of a potential deal. They just know that it'll kind of work out over time. And that's something that I've definitely seen. Like I use a lot of rules of thumb for how to analyze a property. I don't break out all the... with single family, you can do that. Like you don't have to break out all the property taxes and insurance and all that. It's just going to work out about the same, no matter which properties it is, especially once you have a couple of them.

Matthew Whitaker:

Yeah, that's one of the things that a lot of investors are pretty excited about is just low property taxes here in Birmingham. You mentioned that. I know that's not exactly what you were talking about, but that's another positive for the Birmingham market is just how low property taxes are. It makes it easy to find cash flowing properties.

Rob Drum:

Yeah, definitely. I mean, I will say that I feel like my most successful clients are fairly well capitalized. I mean, it's investing, so you need to have the capital to invest.