



THE LANDGEEK

**The Best Passive Income Model Podcast
with Mark Podolsky, AKA The Land Geek**

Mark Chats with Marco Santarelli, NoradaRealEstate.com

Transcript

Mark: Hey, is Mark Podolsky, the land geek with your favorite nichey Real Estate website www.TheLandGeek.com.

Land Geek Nation, I've got a really impressive guest today. Marco Santarelli is an investor and author and founder of Norada Real Estate Investments, a national real estate investment firm, offering Turnkey, Turnkey investment property in growth markets nationwide.

Marco Santarelli is also the host of the passive Real estate investing show, this guy's a giver. The show where busy people like you learn how to build substantial passive income while creating wealth for the long term.

Mark: Marco Santarelli, how are you?

Marco: I'm doing great Mark, how are you?

Mark: Pulse is still normal, rest is fine.

Marco: Great to be here.

Mark: Yeah, I'm all caffeinated. If you can tell, I'm really excited talk to you.

Marco: Well I'm glad to be here, this is great.

Mark: OK, So Marco. Let's skip the pleasantries.

Marco: Sure

Mark: How does Marco Santarelli become Marco Santarelli really with www.noradarealestate.com, walk me through that journey.

Marco: Well. It's a big, it's a big story. Depends on how far back you want me to go. But I will kind of start at the age of eighteen (18) and then make a big jump forward to 2003. I didn't come from a privileged family, you know.

I was very, average middle class, my both, my parents worked. My mother actually worked two jobs to make ends meet so. I didn't come from a family that Knew about investing. I didn't grow up around investors but at the age of 18, I jumped into real estate headfirst.

I bought my first property when I could qualify for financing, It was a town home. I think I bought it for about 40,000 or somewhere around there and I got it renovated, with the help of my uncle who was a carpenter. And ultimately just took in applications listed it, managed it, myself, and It was completely textbook. I didn't read a book or take a course, I just jumped in and I thought well this is what I have to do because I know millionaires have been created through real estate. So I got the bug.

And at 18, I had this property that I was managing with a tenant generating cash flow and I thought, wow, you know what, that wasn't so bad. So I went out and did it again. And you know, I guess, my friends were going to bars and doing all the... you know, the cool stuff when you're a teenager. And, I did some of that too but really my head was focused on business. So you know. After that I got my real estate license and started selling real estate which I really didn't care to do because I felt like a chauffeur, bringing people around in the back seat of my car showing them houses and only hearing them complain about the color, the paints, sizes or something.

Mark: That's so funny because I've always, I get some real estate broker buddies. And I always ask them, like how do you have the patience for people, whose like "I don't like the countertop, let's go." you know.

Marco: Oh, it's terrible. Yeah. You have to be a certain type of person, I think, to be able to tolerate that. But I love, you know investing. I love numbers and I love wealth creation and I like helping people.

So, to kind of, fast forward a little bit. Back in 1999. I co-founded a dot com company which unfortunately collapsed in March of 2000 when the NASDAQ bubble burst. So we had a nine and a half million dollars of venture capital funding that vanished at least

future funding vanished overnight so what we ramped up to be a company with one hundred something employees. We now had to lay everybody off.

So, I ended up taking a few years off and just sitting back and thinking well what do I want to do. So 2003 rolls around, and you know real estate is kind of the buzz at the time there's a lot of appreciation going on especially in the coastal markets like California and. One day in the some middle of summer I get this email from Robert G. Allen. You probably know who he is but for your listeners, they might not be familiar with his name. If you go to amazon.com and you look him up, you'll find that he's authored and co-authored about 20 different books. He's most famous for "Nothing Down", and there's another one called "Road to Wealth". So, you know, he's a very famous author he's almost considered one of the grandfathers of nothing down real estate investing.

But I get this email and I have no idea how I got on this list but it was about this big free real estate seminar coming up. You know, on a certain weekend, it was like two or three days long. I thought well, you know, what I like real estate. let's go check it out. So, I go there and there were 15000 to 2000 people, packed in this room it was a massive ballroom.

Mark: Wow!

Marco: It was. Yeah, it was big and the presenter, I'll just refer to him by his first name, name is Glenn because some people might know who he is but he was an amazing speaker he literally had everybody, should say literally, but he had everybody riveted to their seats because he was so engaging I mean you don't even want to get up to go to the bathroom because you didn't want to miss a single word of what he said. But what was interesting is at the end of the seminar or journeying the second day. People were running to the back of the room with credit cards and hand and they were forking out anywhere from fifteen thousand dollars on the low in up to thirty five thousand dollars on the high end for these 5 and 6 days boot camps.

Mark: Yeah yeah. That's you know. You know to does it really well is he was hard. He's like them for, he on fortune, what's tha guy he was, he was a flip this house or.

Marco: Oh F. M. L.

Mark: Yeah he's fortunebuilders he does something similar with the other guy. He has long hair

Mark: If I said his name you would know

Mark: I know you're talking about.

Mark: Yeah. Yeah.

Marco: He came to my office actually, one day trying to pitch me on a development. I actually ended up telling him how to run a development.

Marco: So Armando Delhomme a huge right.

Mark: Armando, Yes

Marco: He came with his wife to my office one day was pretty funny. Yeah. So, yeah, these guys are just selling these super expensive packages, and, you know, what, for some people it might be worth the cost because it'll finally get them off their dust to do something right. But it's amazing, I look back now and I think Geez with \$35,000, you could have put a down payment on two properties that we sell through our network and you know, have cash flow coming in and you could be just on, you know, well on your way to doing something great. But that wasn't the turning point.

You know, I decided to jump in and join these hundreds and thousands of other real estate investors that were getting into these workshops, which were peppered, around the U.S. So I started going to these things and then I started buying up a ton of property. I was on a buying spree for about two years after that. And I...

Mark: Where were you getting your money?

Marco: Well I had some savings. But I was doing two other things along side. Just my own cash, I was actually structuring some of my investments with some creative financing. So, I was working with the seller to do some seller carry back or some credits back at the closing to give me back some or all of my down payment. So, that was one thing I was doing.

The other thing too is financing was pretty loose back then it was pretty easy to qualify for financing. And then we started seeing loans where you could get more than, 80 percent. A percent loan to value.

Mark: Right, right.

Marco: So it wasn't that difficult, you know to get financing and to purchase low down. Properties. But I had amassed 84 units in the course of about two and half years.

Mark: So what part of the Monopoly board where you playing in?

Marco: 4 Red houses, 1 green hotel.

[Laughter]

Mark: 4 Red houses, 1 green hotel, good as the just OK good.

Marco: Yeah. So yeah, I started with single family homes and then I started buying what they call to have two family Flats. Which is just an upside down 2 block.

Mark: So, you are in the yellow part of the board.

Marco: Yeah. Yeah. And then and then I did start purchasing a few small apartment buildings.

Mark: Oh OK So that's getting a little nicer. Yeah.

Marco: Yeah one was 6six unit, one was 20 unit and then and then I did purchase a forty unit.

And then eventually got rid of the four unit. It was a completely different, a different animal than dealing with one to four unit residential property.

So, a lot of people think that's you know where you need to set the bar. And that was where you need to go. But it's really not for everybody and a lot of investors, many investors are very, very wealthy and successful just by buying single family homes. Just boring single family homes because they are great wealth creators.

Mark: No, there're amazing, I actually worked with a guy. He would, buy a house in his neighborhood, when it comes up for sale and then he would rent it out and this is his rental technique, by the way, he would only rent to women who are divorced with children, because they would rent forever he said that. He's into buying like ten houses in his own neighborhood. It was go house to house make little privacy, in here, fix it up and there you know, and his real estate portfolio worth millions.

Marco: Oh yeah. Yeah. It doesn't take. It doesn't take long because think about it. If you buy ten properties that are hundred thousand dollars in value or maybe they're not hundred thousand dollars in value when you first purchase them maybe they're fifty thousand a appreciate to hundred thousand. But let's just say the average of one hundred thousand each

Mark: Right.

Marco: You know. After three, five years depends on how long it takes you to accumulate those ten, well you've got a million dollars' worth of real estate. And then when you start factoring in all the benefits of real estate the amortization of the loan. The appreciation that comes overtime. You know you will starts to accelerate and all of sudden you're worth hundreds of thousands of dollars if not millions of dollars. You know and you just keep building and building that way.

Mark: Yeah it's so funny because you know. Everyone agrees that your income is not an indicator of wealth, your net worth is an indicator of wealth. This is the best way to build your net worth.

Marco: That's right,

Mark: This is the best way to build your net worth.

Marco: It is by far the best way, real estate is and has been the most historically proven. Wealth creation vehicle in recorded history.

You've got the ability to control real estate. Using other people's money. You can put as little as 20 percent down today. In some cases, you know, zero, but let's just say 20 percent down so you control one 100 percent of the real estate with twenty percent down, and you get one hundred percent of all the better benefits whether that's amortization appreciation.

All the cash flow, the tax benefits which are absolutely amazing because you can depreciate this property over twenty seven and a half years. So you've got this phantom right off the. The I.R.S. is basically saying, look, you can take what you know one. 27.5, you know. 127th percent of that property every year as a deduction, even though you didn't spend anything it's a noncash deduction. So you can take that deduction. And put that on your personal tax return and lower your taxable income. And then last but not least, I missed one thing and there he got the income appreciation, amortization. leverage that leverage.

Mark: How many asset, do you know where you can borrow. You know, up to eighty percent or more of the purchase price.

Mark: Right if you bought a stock on margin, you've got about fifty percent right and then you're on the hook, you're always on.

Marco: You can have a margin call you're always on the hook if, if that stock goes down. You might have to make up the difference. When the property or not the property value but the value that stock goes down so you know with real estate banks not going to come back and say well, you know market values in your market have come down well we're going to have to get you to cough up 20 percent of loans just to make up for the change in the market rate.

Mark: Right

Marco: Doesn't it work that way? So yeah, real estate is amazing and it's. It surprises me how many investors out there. And I'll say investors sometimes in quotes are still

focused on paper assets like stocks, bonds, mutual funds, when they don't have. You know four out of five of these benefits that I just mentioned to you. So yes it would.

Mark: So with that thinking. Where you kind of like well, what if I formed a company that allowed investors to make these investments easy.

Marco: Right so you know we went off on a big tangent there.

Mark: Yeah, so,

Marco: Here's what happened. You know I started taking these boot camps and I was buying a property. And then for person that was doing the foreclosure boot camp for Robert Allen's organization invited me back to speak and so after that first speaking engagement at that boot camp. He invited me back again he said well why don't you just help me with these boot camps. So I had a construct in the foreclosure boot camp for a period of one year and early on I had people coming to me saying. Hey Marco, where did you find that deal? How did you negotiate? Wow, generalize the numbers? Why this deal? You know there's one question after another and, I quickly came to realize that.

Well two things; (1) investors still needed help. Even though they were spending tens of thousands of dollars on these boot camps learning. What was supposed to help them get started in real estate investing, they still didn't know exactly what they needed to do or they were too afraid to pull the trigger and they were too is even if they had that ability to get started and they had the knowledge and they can pull the trigger. They still really don't know where to find deals.

So I saw this niche, this need to bring, you know, what I'll call Turnkey Real Estate Investments to investors where 70 percent of the work was done for them they still need to do some of their due diligence and you know go through the motions of inspections and financing and all that kind of stuff. That's really how the business was born, it was, just, it fell on my lap. But I identified the need early on because people were, you know, hungry for it.

Mark: Yeah, it's mean at that time I don't think there were too many other players like there are today.

Marco: You're exactly right Mark. Only one other company that I know of and actually the ownership is changed but the two new owners of this company are friends of mine. So, technically there are a competitor but I don't see them as competition because the pie in this market is so big that we all just make up a tiny, tiny fraction of the, you know, real estate investor market. You know. I heard statistics that about one in three or one in four homes in the US. You know, Investment property so they're tended occupied. So the market is huge it's in the hundreds of millions if not billions Well actually no, I take that back. I saw study. I remember seeing two hundred twelve billion dollars is the size of the real estate investing market. And that's huge.

Mark: Yeah, I mean it's so funny because people ask me all the time like you know. If you keep getting people in the land investing, isn't the market going to dry up? I don't think they realize how big this market is, so, it's massive, I mean it's just scarcity versus abundance mentality.

Marco: It's exactly what it is so yeah.

Mark: Marco, you have no competition.

Marco: Yeah that's what I try to tell myself but you know, I'm a competitive person I drives, I keep driving it home. But yeah you're right back then in 2003, 2004 I really only had what I'll call one competitor. Actually I recorded a podcast not too long ago called Turnkey Real Estate Investing explained and I actually talked about this and one of the things I mentioned is the difference between a Turnkey Provider and a Turnkey promoter and you know, a few other different things. The reality is...

Mark: What is the difference between Turnkey provider and promoter?

Marco: OK, so basically a turnkey promoter, well let's start off with a provider. A Turnkey provider is, a typically, a local business or local company and they could be a Mom and Pop operation or they could be a full. You know, large scale operator within a local market. But that's the key, they operate in a local market. And what they do, is they buy or rehab and flip properties. Usually to investors they may keep some of them but they have a business model where they're buying, rehabbing and selling investment properties and their buyers, they don't care where their buyers come from.

Mark: Ok.

Marco: They could be local investors, they could be out of state investor, they could be foreign nationals. so, those are providers. But that's what she had back in two thousand and three two thousand and four with the exception of this one company that I know of at the time there really weren't any. You know nationwide. Larger providers of a turnkey properties. Now they weren't provider and this is what the difference is they were a Turnkey promoter, which means that they weren't actually doing the acquisition renovation. They were marketing the properties of these local market providers, and that's what I refer to as a Promoter.

My company is a hybrid, we actually do some acquisition, renovation, to create our own product, but to keep ourselves completely agnostic, we do work with typically to, best of breed providers in each of the markets we operate in, just to keep us completely agnostic and to have selection. You know, selection for our clients.

Mark: Sure, which seems to make sense to me as far as diversifying and then risk mitigation is, well. I mean you just can't, you can't buy the whole world. You know, there's a band with you the issue.

Marco: Yeah that's right. And so it really comes down to the investor. When we when we talk to investors we find out what their goals are what their. What their objectives are and what their criteria is and based on that you know we help them to identify the markets that make most sense to them and then we start looking at neighborhoods and properties.

Mark: So, Marco. Who are your people? I mean, I would imagine that, I'm a doctor or a lawyer and I don't have time to really start getting involved in rehabbing and flipping. And you know looking for these income producing properties, I just don't, I'm a high income or I'm working a lot, I'm stressed out but I know I need to build my well because Obamacare whatever. Right. So I go to you and I say here look, I've got, you know, this much money. I've got nice cash flow coming in every month, I want to buy a house a month. Is that your guy? Or is it? Is it more, every walk of life from, your know, your local barber. That need to build their net worth. To the high income earning golden handcuffed. Executives and so economic dependent people?

Marco: Our typical client is anybody looking to invest in real estate. That doesn't want to be an active real estate investor, meaning that they want to invest in real estate, they want all the benefits of investing in real estate but they don't want to roll up their sleeves and have to go out and find a deal or deal with the seller to find a distress, a choice or go to an option of buy a property and then, you know, manage the scope of work in the renovation work. I mean, that's all active real estate investing are, really.

Investors are passive real estate investors they want to invest in real estate, have hassle free experience and do as little as possible. Now, I don't mean completely disconnect from, you know, the investment. You know, they want to basically go shopping for real estate investment and be able to purchase the right properties in the right markets that provide the cash flows in the rates of return that meet their criteria but have someone hold their hand walking through it and that's what we do. So, the difference is active versus passive, real estate investing our investors can be anywhere, anybody from, you know, their early twenty's, you know, into their senior years that are looking to invest. They want to Turnkey done for them not having to go out and rehab it on their own. If that makes sense.

Mark: Yeah, Marco, a massive market you have. I really was getting excited about pigeon holing you into this, like super small niche but even though it's, you know they blew that up on me.

Marco: Yeah, That's, great. Yeah. No it is a big market. So most of the people that invest in real estate or at least the people that we talk to, here's the situation, they have. They work so they have a job, it's full time sometimes it's more than full time. They have

a family, they have kids. They have all the obligations on the weekend you know soccer, games, this and that. And they really don't have the time. That's what it comes down to the time to be doing and creating a real estate business. They want to invest, they want to buy properties and put it in their portfolio but they want to be doing all the, all the work, all the pieces for it.

Mark: Right, right. OK. Yeah that makes sense. That makes sense. So, I love the model, I really love the model.

Marco: Well thank you

Mark: And you have an education component, what's education component? As far as the, the passive Real Estate investing show. So you're really looking, you're educating your, ideal investor.

Marco: We're, we seem to always be educating investors we get phone calls and it's very common for us to have a thirty to sixty minute phone conversation with every new person that called us not because we like to talk. But our investment counselors like to hear. You know what their, what their story is, what they're looking to do, answer their questions find out what their goals are, what their criteria is, so, that whole conversation is very educational because there's a lot of things they just don't know. They have ideas of what they need to do. But you know you don't know, which don't know so we'll just throw the questions out to them to pull the information out that we need and then just educate them along the way. And, we have systems in place, I mean, we literally have checklists and procedures that we share with our clients so they can see where we are and where we need to go throughout the entire process so there's education. Education's involved from beginning to end.

Now, I'll answer your question one other way you know, since you know. the last almost twelve years that we've been doing us. The education component has been on the phone via email and through our blog on our website. But more recently we launched this, you know, this new podcast on passive real estate investing and the reason I wanted to do the show is because I wanted to pass along a lot of the information that we were just repeating over and over and over again on the phone and through articles on our website which seem to get lost because there's just hundreds of them. And now we can just put it out there in an audio format just like what you're doing it with your Podcast you know it's on demand an easy to consume and listen to wherever you are.

Mark: Yeah, I know, I love it. I love it. So I think we're at that point now. Marco, in the Podcast' where I would explain to you my business model.

Marco: Sure.

Mark: And, I ask you with your vast real estate experience, if you think, I have the best passive income? Are you ready?

Marco: Sure.

Mark: All right, so I buy and sell raw land. And the way I buy it, is. I look for deals and you know, people are advertising their deals to me because they will back taxes. So I will get the list from the county people, who back taxes, live out of state, will send him a quote and quote on top dollar offer, typically 23 cents on a dollar.

Because, we know if they don't pay their taxes they are going to lose their property anyways. So, a percentage of those people sell us their property within can go online and flip that property and average our ally of three hundred percent. But my favorite way to sell it is owner financing. So, in a onetime sale, we get our money out, usually on the down and then, we get this recurring passive income on an asset that requires no maintenance. We don't, deal with any kinds of renters, no rehabs, no renovations, no rodents.

I mean a non-competitiveness you don't go on H.D.T.V. and see flip this land. I don't have to deal with the legislation. Because since we're not dealing with a tenant, we are exempt from Dodd Frank, Safe Act and RESPA. Marcos Santarelli, www.noradarealestate.com, do I have the best, passive income model?

Marco: You have one of the best Passive Income Models. In fact I only recently learned about your model and to be honest with you it intrigues me because I have flipped land in the in the past. But you've taken it to another level and here's why in this. This kind of answers your question. I never really stop to think about buying land. And then owner financing it to people where you're creating monthly passive income and that's what I love, I love cash flow.

And you know that's what my business models about and you've actually just recreated. Well, you found an interesting niche and you've created an interesting business model that I think is brilliant. It's fantastic because nobody thinks of land as being a passive real estate investment

Mark: Exactly, you know, usually, you know, we don't do anything with Reeds. No private equity groups, no Hedge funds. They doesn't like this niche, you know

Marco: It's a great, it's a great niche. Because you've taken something that is normally bought in, held or bought and flipped. But you've taken it to, you know, another level you. Now you've basically bought it refinance it out by writing a note and financing it to someone who wants to buy and pay you a monthly payment for it. So you can I mean it's the creativity, fantastic thinking.

Mark: Thank you.

Marco: Yeah I think. I think it's great. I need to talk to you more about this, actually.

Mark: So no worries, alright, so, Marco, to put you on the spot, one more time.

Marco: Sure

Mark: And ask you, for the tip of the week, a web site, resource a book, something actionable where our best passive income model listeners can go right now, improve their businesses, improve their lives. What do you got?

Marco: So I had put a little thought into this one because I had a couple of different things in mind. I think what I will offer is this, on our website, in our blog on the www.noradarealestate.com, at the top. There's always a post called the ten rules of successful real estate investing. It's a sticky post so it's always at the top. And within that list, believe it's number five, is "my rule to be market agnostic" and so let me explain what that means.

We get all, well, most people that do call us has already figured this out, because that's why they are calling us but being market agnostics means, I do talk to a lot of investors' especially on forums where they think they're locked into this mental mindset that they have to invest in their local market their backyard and it's really a mental block as far as I'm concerned because they think that well. If I'm going to invest I have to be able to go and see a touch of drive by to make sure it hasn't burned to the ground. You know but the fact is that in most markets today across the United States. The best deals are not in your local market. They actually, they're going to be in other markets and often those markets are out of state. So being "market agnostic" allows you to be logical and nimble and prudent in looking for the best deals. I don't like the stock market. But if I said to you Mark, you know, you can invest in any stock that you want as long as it starts with the letter C. and it's price between 5 and 10 dollars.

Mark: Laugh

Marco: I mean you know, that's extremely limiting, isn't it?

Mark: It is, it is. The only stock I would buy is shake shack.

Marco: Shake shack.

[Laugh]

Marco: I was thinking Coca-Cola but anyway. But you know, you don't want to limit yourself if you're going to invest in real estate. You want all options on the table. So being market agnostic just allows you as an investor to say ok. If I live in San Francisco. And the average price of a house is one and a half million dollars. I don't think I'm going to find a good cash flowing deal up here and less and less I put down. You know 80 percent and that's crazy. So you can go to the Midwest. You can put down. You know

ten twenty thirty thousand dollars on a. You know eight hundred thousand are probably the generates great cash flow. And that's the difference. It's just a mindset.

Mark: Yeah. That's fantastic and my tip of the week is, look. Learn more about Marco. Learn more about Turnkey, what I would call elf. Real estate investing it's easy. It's lucrative. It's fun, noradarealestate.com, go there now and learn more.

Marco, are we good?

Marco: We are great Mark, I appreciate your time today

Mark: Thank you, I appreciate you taking the time to share your wisdom on real estate investing with my listeners.

Mark: Listeners, look land geek's podcast best passive income. My listeners, give me some love, subscribe, rate, and review the podcast. It really helps. I'd really appreciate it. Please do it.

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If you haven't seen it yet, you don't know about yet. The ninety episode devoted just to land investing is now on iTunes. It is a land geek. Podcast our cast archives a top ten. And then you go into our free membership site. And you can unlock the other eighty.

Marco Santarelli we're good.

Marco: We're good. Thank you very much Mark.

Mark: Thank you, thanks all the listeners will see everybody next time.