

EPISODE 103

Sam Wilson (SW): That's one of the reasons I love the Laundromat space. I'm going to call it inflation resistant proof. I can reprice my stores like a gas station right here from my cell phone. There's no leases. We have zero-dollar accounts receivable.

Tejas Gosai (TG): Ladies and gentlemen, welcome to Real Estate Investor MBA. My name is Tejas Gosai, and I've had the honor of helping hundreds of investors achieve the American Dream by creating generational wealth through real estate. I've spent the past few years interviewing the most knowledgeable experts I could find in the business to cut your learning time and conquer the hardest subjects in the game. Check out rei.mba, which my team and I have packed with over 75 interviews and free access to our real estate roadmap, webinars and publications. If you're listening, I am rooting for you. And you're already on your way to financial freedom. Cheers and happy hunting!

[INTRODUCTION]

My next guest has discovered a few niche asset classes to invest in and double triple the profits through operational efficiencies and generally just being a good businessman. We have Sam Wilson on today. He's the founder of Bricken Investment Group. He's an active investor in self-storage, parking, multifamily apartments, RV parks, single-family homes, and host of the how to scale commercial real estate podcast. Sam holds his bachelor's degree in Business Finance from the University of Memphis and holds his real estate license in Tennessee. In addition to his years of real estate experience, he also has a diverse background in business ownership and management. Sam's current focus is presenting nationwide investment opportunities for his personal and his investor portfolios. Amazing guy. I ran a bunch of hotels. I developed hotels in my 20s. It was a beautiful time in my life and I learned a lot. Tethering a business to real estate is one of the best ways to take advantage of a bunch of tax benefits that are not on the table unless you have an operating business and a piece of real estate that it is within on top of. So it's neat. Laundromats are my favorites. I have a bunch of clients that have purchased Laundromats in the market that I'm in in the Lehigh Valley over the past five or six years. One of them, we call him the Laundromat King. He buys old Laundromats, finances new

equipment, and turns them into cashless operations. They do wash and fold laundry delivery and it's neat to meet someone else who talks about it more in detail than usual. So Sam is going to discuss that. I'm going to tell you to check out our website, rei.mba. I have a bunch of tools on there to help you with your real estate journey, including a roadmap that will take you through a bunch of podcasts we've had from packaging up your finances to get into the real estate business or raising money or building a private equity fund or asset management. There's a ton of podcasts that I hope will help you. There's also a financial analysis tool on there, and you can check us out on iTunes, Spotify, Stitcher, iHeartRadio, and again, the website's rei.mba. Cheers and happy hunting.

[INTERVIEW]

TG: Hey, guys. Real Estate Investor MBA. We have Sam today. Sam, thanks for making it. I just gave a long-winded intro about you. Welcome.

SW: Hey, thanks so much, Tejas. I appreciate it. Glad to be here.

TG: I like having a gentleman with an accent on the show. Where are you hailing us from?

SW: You think I have an accent, man? I don't hear it when I speak. I'm from Memphis, Tennessee.

TG: Love it. Love it.

TG: Thanks for being here.

TG: So, look, we got some great stuff to get into. I'm excited. How about I never met you? Give me just a touch high profile of what you're doing and how you're helping people.

SW: Yeah, no, that's a great question. What I'm doing and how I'm helping people. I think we cover live in Memphis, Tennessee, what I'm doing, man, I've done a ton of different things in commercial real estate, as you probably already know, but really right now, we bought three RV resorts last year. I'm currently an owner of laundry facilities here in Memphis, and the two are uniquely, I think, positioned

with the same kind of metrics that surround them. I see even more meat on the bone and opportunity for us inside the Laundromat space than even I do inside of the RV resort space. And so really, just going bananas in the Laundromat space.

TG: That's a lot to talk about right there. So let's start with the RVs. Where are they located? And I've had a lot of folks in the past that have talked about how they're developing campsites and they're turning in almost like hotels. They're just becoming destinations. Can you tell us about that?

SW: Yeah, that's exactly right. The first two we bought last year were destination RV resorts. Not to be confused with RV parks. RV parks being like, your I 70 like corridor running through Kansas. We're going to stop there for a night and keep on driving across the country. I don't want to own that. I want to own a destination where you come and you buy firewood and propane and you stay for four days and you pay for the bait to fish in the pond and then you pay for your site and then you pay for eating at the diner on site and then you pay for.

TG: And you love it, and you bring your family every year. All you do is look forward to getting off the grid.

SW: Yeah, absolutely. And those are gold mines. They are operationally complex, but there's just huge opportunity for consolidation and just operational improvement in that space.

TG: We got to talk about that. So I've been camping. I rent an RV every year. I'm not a consistent camper, but these things do bang out a lot of revenue, and it's a business, and it's important to talk about why business and real estate work well for something like that. Some of the specifics, how's the structure for that?

SW: Yeah, that's a good point. Business and real estate, and I tie that together with both RV parks and Laundromats, both kind of one and the same, whether business and real estate. Obviously, inside of the real estate, there's a lot of things that can be strictly real estate plays, but these really are heavy, operationally focused businesses that also happen to have real estate attached to them. But you were

asking some of the kind of metrics or dynamics, if you will, of these. Is that the right question and why the opportunity is there? Definitely.

TG: And then I want to relate it to Laundromats. And if we can make the nexus.

SW: For sure, yes, absolutely can. The reason we see opportunity there is because, again, I think I talked about that a little bit, is that their mom and pop own theirs, maybe own one, maybe two campgrounds at most. They have not come into the 2020s yet, most of them. They don't take online payments. They don't accept credit cards. If they do, it's only at one little hand-swipe terminal inside the facility. They don't do utility bills back at the pedestals where you plug in. So your long term, if you have somebody that leases a site on an annual basis, you're still eating the utility bill. They're in the weeds in the business. I mean, they're there every day. They've owned it for 1520 years, and they're tired.

TG: And their kids don't want it.

SW: Their kids don't want it. They produce an income, the one we just bought in the middle of December, no online booking. Their rates are 50% below market. I mean, just on and on and on. No website, no dynamic pricing. There's another one you know very well that Airbnb and the hotel industry and airlines charge you based on how many people want that product at that particular time. Dynamic pricing is nothing new, but they don't use dynamic pricing or software that can do dynamic pricing for them. Small things like that can add 10% to your bottom line. Just little operational tweaks that with a little bit of foresight, some capital investment, and some willingness to roll up your sleeves and do it can make a humongous difference in the way that park performs.

TG: I love the way you're explaining it. And aggressive management, I'm sure you got to keep good thumb on that place.

SW: You do. And so I've really enjoyed learning and understanding because that was something I saw at the early 2022. I said, man, there's huge upside in RV. Resorts already own a laundry facility, and it was just blowing the doors off. But I kind of just left it alone because, to be honest with you, it was

producing a phenomenal return, and I wasn't doing anything with it. I was like, whatever. It doesn't bother me. It pays me a very healthy income every year, and I work about an hour a month at it. At the end of 2022, I'm like, okay, so we closed three RV Resorts. That's fun. I'm like, Gosh, when I compare my return on time Laundromats, I'm like, what have I been doing? Why haven't I been paying attention to this asset class? Same store, same as RV Resorts. And it's a business I already know and understand. So going long in that space and going, okay, let's see. Most owners own one, maybe two stores. They have equipment that's 22 years old. They are still taking coins and coins only. What is this, 1960? Why are we putting quarters in a machine? For real, why are we putting quarters in a machine? You should be swiping your credit card, your debit card, and your bank pay card. Tap, tap, tap it. All of our machines start with a phone. They should start with a phone. You should have a loyalty card system. Even if you okay, so let's assume they don't have a credit card. They can still bring in \$20 in cash and get a loyalty card and then spend it on all your machines in the store. And now you can track that customer and resell them and upsell them and all these things, but they are infrastructure investments. So we just bought another store, and I ordered \$525,000 in equipment. We're putting 50 grand just the payment system. (Wow.) For an owner that only owns one store, they look at that and they go, man, \$50,000 for a payment that seems really high. And they just drive it into the dirt, which is great for us. Then we can come in and just add all these I mean, the last store, this first store we just bought, no website, not even a phone number. You couldn't even find a store.

TG: That's a great walk-in.

SW: I know. In the five closest stores to it, I wouldn't take my dog in and wash them. I'm serious. So it's like, okay, you know what? There's massive opportunity for improvement inside of the Laundromat space. The cool thing also is that the upside is just huge. We're talking 25, 30% annualized cash on cash return.

TG: Bravo.

SW: So it's like, well, okay. And it's not that complicated. Once you get it up and running, once you've made your capital investments, these things, they can run on autopilot.

TG: With the real estate?

SW: Yes. And.

TG: Okay.

SW: If we can get the real estate with it, I'll take it. I want it. If it's in a retail strip center, like, the last store we just bought is in a retail strip center. I didn't buy the building, but there's no way if I bought the building, I could even like, the lease is just so much more favorable in this case than even buying the building outright. So, I mean, the owner wants too much for the building, and if I bought it, it wouldn't cash flow. And I go, well, who cares if I own the building or not? I've got a 15-year lease on this space, and it cost me way less to lease it than I could possibly ever have on a mortgage payment, let alone trying to keep up with everything else. So, yeah, both the real estate and the building, but no, preferably we buy the buildings as well.

TG: Yeah, it's just a great way to utilize the Airbnb technique of making this cool and hip and trendy. I actually have a very dear client who is a physician with passive investments, but he started actively purchasing laundromats from a gentleman who does what you're doing on a smaller scale but has the equipment, and he's looking for, like, a triple net lease with a little bit of management and his facility unlocks at a certain time. It's all cashless. It's crazy what you guys are doing. Tell me what the customers are like, what do they think whenever they come in from what it was before to what it is now?

SW: Our first store is the highest-rated, most-reviewed laundromat in Memphis. It's got, like, 400 and something. Google five-star Google reviews. I mean, the reports are glowing on glowing on glowing, because we do just the things you said. We open at 05:00 a.m. It's all automatic maglocks on the doors. I mean, we close at 11:00 p.m.. We're staffed every single day from 08:00 A.m. To 08:00 P.M. You walk into the store, it's well-lit. The lights never turn off. I have a plan, a five-year plan, which we're almost at the end of one five-year plan. It's all Led lights. And of course, that brings your energy utility costs way down, but they only last for five years. When you run them 24/7, they just never turn off. They walk into the store, there's somebody that greets them that's well lit. It's clean. We are

meticulous about keeping our stores just spotless most laundromats. You go in, you're like, oh, my gosh, I'm about to get shot up with a needle. You are you're afraid of getting stabbed, robbed, and catching a disease before you ever got your clothes clean. We're providing a brand new experience for a demographic also. It's not used to being served in that manner. And so word gets out really fast. We took our first store from doing when we bought it, and I only paid him for existing equipment. There was no goodwill. There was nothing there to buy other than, hey, I'll buy the existing functioning equipment you have. We took it from doing \$4,000 a month, and now it does half a million dollars a year. Wow. With zero pennies in advertising, I've spent not one penny on advertising.

TG: That's wild.

SW: Wild. Yeah.

TG: No wonder we're talking about it, right?

SW: And so that's what people the word gets out. What are people saying? They're like, oh, man. Hey, you got to go to that store over there. We're the highest-priced store in our neighborhood, and that's on purpose. People still go there because I was like, oh, my gosh, the experience is so much better. So anyway, I could talk all day.

TG: No, I mean even intrinsically, like our fund, we own multifamily, and we have laundry rooms. The inefficiency in washing and drying clothes with these older machines is outrageous. It's like, hilarious. You have to dry it five times to try to get it normal.

SW: Right? Yeah, you said it. Not to mention the utility cost there with that old equipment. My gosh, you put in new stuff and it's so much more efficient.

TG: So you're beautifully hedging your money and hedging your bet and collateralizing a great asset for the long term. How about your investors? I don't know if it's a pivot. You're in a business real estate slash operation. What are you doing now for the future? Are you buying more today? Are you looking to have 101 days? Tell me about that.

SW: Yeah, no, our five-year plan is 50 stores in five years, which to me sounds light. We really hit the ground running. 1 January this year. Brought on a director of acquisitions here at the Bricken Investment Group, just going after laundry facilities. And we've probably got five or six circles in the drain right now. So I think 50 stores will probably be a light number by the time we hit year five. At least that's what I really hope. We want to grow this as large as we possibly can. I mean, the time for consolidation, I think, is now. I've not yet taken this actually out to our investors, which is something that of course, we own everything like you, everything from multifamily to self-storage to RV resorts, all those things, but haven't taken this to our investors. And this is one of the maybe challenges. And I'm sure everybody always says that as you grow, your problems don't go away. They just change. You can relate to that. And that's one of the things that we're really kind of digging into right now, is trying to figure out how to take this to our investors. The problem you run into with a laundry facility is that it's a small dollar amount. Let's assume that we buy the store. We completely retrofit it with all the new equipment. We do our remodel in the store, we might be all in at 800 to a million dollars. Right. Hard to syndicate. The dollar amount is just not there, so you have to get these. And also the other thing I want to present to our investors is a portfolio of stores. I don't want to expose you Tejas to one store. I want you to see, hey, here's five or six stores, and you can buy in a portfolio with one single syndication. So that's kind of the method we're working our way through right now is saying, okay, how do we get the Upfront capital to buy it and then recapitalize it as a portfolio of stores and kind of trying to massage the numbers and massage that particular model out and tease it out with some larger, maybe upfront capital sponsors and figure out what that looks like. It's kind of one of the hurdles we're trying to overcome right now.

TG: That's awesome. That's, like, the best hurdle to overcome because you're not saying, hey, how are we going to raise money for this? I know we can. That's always like, as a fund manager, I'm like, everyone's worrying about raising money, but having the solution is, like, the best part. I want to switch gears because we got, like, eight more minutes. I hate it that we have a short podcast. So you got to stay motivated to do what you're doing. And by your bio, clearly your mentality, you're a hustler. You're working a lot of hours. How do you do that with this crazy economy? That's the better part. Like, how do you do it with all these variables? How do you keep calm?

SW: Oh, man. Actually, that's a really great question. That's one of the reasons I love the laundromat space. It's inflation. I'm going to call it inflation-resistant proof. I can reprice my stores like a gas station right here from my cell phone. Like oh, hey, sorry, man. Once again, the dollar went down in value. And by the way, utility costs just doubled again. Okay, change the price of our machines.

TG: That's amazing.

SW: It's that easy. There's no leases. We have zero-dollar accounts receivable. Everybody pays upfront. We do an enormous amount of drop-off and delivery business, which is another kind of subset of the business itself.

TG: Tell me about that.

SW: Yeah, so we serve one demographic is your self-serve customer. But then, like I said, we're attended 12 hours a day. We have staff on-site, and so we have giant commercial accounts that come in and drop off everything from water damage restoration companies to event centers to you name it. They just have enormous amounts of laundry to do. And, oh, look, we have the facility to do it in. So our staff wash, dries, and folds. Then we have all sorts of retail customers that bring in. You get tired of doing your laundry, there Tejas. You drop it off, wash, dry-and-fold, and you pick it back up at the end of the day and go home with clean laundry. And then we tack on a delivery service where you can order it from an app on your phone. (No). Yeah, we'll come pick it up at your door, and then we'll bring it back the next morning in a nice little branded bag, and you just put it away.

TG: Too good.

SW: Yeah. Lots of customer segments there we can solve. And why I say that and why I bring that out is because one, it's recession resistant. Two is that we get to serve three very different demographics there. You get the one person that they're generational Laundromat users. They'll always be Laundromat users. Very stable customer base. You get the teguses of the world. They're going to call me and say, hey man, pick up my laundry at my front door. Okay, great. That might go away if the economy really goes to the dump. But we always have our baseline customer, right? It's just the

people that use Laundromats now are going to use them when the times are good. They're going to use them when times are bad. So I really don't care. I do care, but I don't care in a sense of where the economy is going because this is a business that does well in both economic good times and economic bad times. And actually we do better when the economy does worse because more people come and start using Laundromats because as you've seen the supply chain on, you try to buy a new washer and dryer, man, you're going to drop 2000, \$2,500 easy. Most people don't have that sitting around here.

TG: Let's talk about that for a minute. I love it that you brought up inflation. What do you tell someone who wants to get into this business and doesn't know how to? And they're like, oh man, this guy, this is pretty cool. How do I do this?

SW: Right, you do like I did and you just go buy a store and figure it out. That's really the truth.

TG: You got to go washing unfold to learn the business.

SW: In its own right. Yeah, I mean, I walked into a store, I saw it was a dump, and I said, hey, who owns this? And the attendant was working there, and she said, here's his number. And three weeks later I owned a Laundromat.

TG: That's amazing, man. What year was that? When was that?

SW: 2018.

TG: Nice.

SW: Took me five years to figure out I was literally sitting on a gold mine. I'm like, why this is ridiculous. What am I doing? I need to buy, need to own a lot of these. Yeah, but that said, I mean you really do, you take your lumps along the way and there's things I certainly I do differently now. But the success rate, the industry success rate in the Laundromat business, like 95%. Do that in a restaurant. I don't know how many restaurants succeed. One in four. Pretty low.

TG: There's something also about automation and being able to I didn't know you could change your rates on your phone. That's just crazy. So how about how do you stay motivated? You have family, kids? Tell me about that.

SW: What motivates me is the question? Yeah, I grew up poor is what motivates me. I mean, we grew up with not a whole lot, and I know what it is to be scrappy, and I know what it is to I think one of my primary drivers when you grow up without a lot, is to always know that you've got reserves. And I think that there's something probably visceral for me at this point where it's like, I always need to be able to look back and be like, okay, if the world comes to a stop, I'm good. Be that with food in my pantry all the way down to what my bank account looks like to anything else on that front. So there's probably I probably need to get therapy about that or something. I don't know.

TG: Hey, man, that's good. OCD. I'm like every morning checking accounts and making sure everything's moving. My wife's yelling at me. Awesome. Thanks for sharing all this. So how does someone get a hold of you?

SW: Yeah. Go to brickeninvestmentgroup.com. That's brickeninvestmentgroup.com/join. And you can join our investor club there, which is the only way you hear about all the deals and things that we're working on right now. Again, I haven't presented any of our laundromat investments to our investor group yet, but certainly here in 2023, we'll be doing that. I look forward to doing that because it's going to be a lot of fun. I'm looking forward to the ride along with our investors.

TG: I want this podcast to be a case study of why they should be involved.

SW: Excellent. I do too. I look forward to it.

TG: Yeah, no, that's awesome. So everything's in the show notes, please get a hold of Sam. This is wonderful. All the best. Please kick butt out there. Last thing. Any word of advice you can give someone who's frustrated and wants to leave their job and get into real estate?

SW: Yeah, I mean, you've heard it. You've heard it 100 times, which is the best time was 20 years ago and then the second best time is today, so just go do it. I think so many people overanalyze and overthink and worry about what if. And it's like, well, rephrase that and wonder what happens if you don't got to do it.

TG: Love you, Sam. Thank you for being here.

SW: Thank you, Tejas. Appreciate it.

TG: It's Real Estate Investor MBA, iTunes, Spotify, Stitcher. We have a bunch of great stuff on our website. Cheers.

[END OF INTERVIEW]