Paul Moore (00:00:00) - Investing should be boring. It should be like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas.

Tejas Gosai (00:00:13) - 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!

We're back. I always try to get the best guests. This time we have Paul Moore again. Thank you, Paul, for returning.

Paul Moore (00:01:09) - It's such an honor to be here. Thanks, Tejas, for sure.

Tejas Gosai (00:01:12) - We got through a lot of great stuff in the first podcast.

Tejas Gosai (00:01:16) - We can go through the intro and then we can hit these books that you're writing right now, let our listeners get a first outline and understanding of the principles of the book. Tell us about your company. Tell us about you.

Paul Moore (00:01:30) - I sold my company 26 years ago to a public firm, and I thought, I'm a full time investor, and I was actually more of a full time speculator. I didn't know the difference, and I lost a lot of money doing that. I made some good amount of money as well, but it took me years to understand that I should not have tried to get the same thrill and charge out of my investments that I did as an entrepreneur, and it also took me years to realize the difference between investing and speculating. And so I've written three real estate books along the way, but I'm working on two more. I'm also the manager of six different funds at Wellings Capital, by the way, but I'm working on two more.

Paul Moore (00:02:12) - They came from a lot of those painful lessons I learned that I just referenced, so I would love to share more about that.

Tejas Gosai (00:02:20) - Awesome. You got to brag for a minute. Tell us how big you are, because you've grown to help out so many investors and so many people in so many different states. Wellings Capital. How many units, if you don't mind sharing some of that, some states that you're in. The big numbers.

Paul Moore (00:02:35) - I don't have the number of units in front of me. We have six different funds. Five are closed to new investors right now. We have one that's open to new investors. It's the Wellings Real Estate Income Fund. We have $132 million in equity under management.

That would put us at something like $275 million in total property, I believe. So we're honestly quite small in the world of private equity funds. In fact, we're tiny.

Tejas Gosai (00:03:04) - And that makes me minuscule. I manage a fund too and we are probably one tenth of your size.

Paul Moore (00:03:09) - Yeah, I understand it doesn't mean anybody's any better or worse than others because, you know, you and I are probably giving investors returns that some of these bigger funds are really struggling to get to right now.

Tejas Gosai (00:03:20) - I agree, and actually giving returns because a lot of funds are not even giving returns.

Paul Moore (00:03:25) - That's right. Our first goal is protection of principle. We're in six different asset types self-storage, mobile home parks, RV parks, multifamily and more.

Tejas Gosai (00:03:34) - It's amazing. And listeners, please check out the previous interview. Amazing track record. I want to talk about these concepts that you're bringing to market. So we're going to talk about Warren Buffett and a book behind that. But I first want to talk about The Boring Investor. Can you explain that the idea behind the title and get into some of these concepts?

Paul Moore (00:03:57) - Absolutely. We can touch on them briefly. So I mentioned that I was an entrepreneurial investor. I really love the thrill of the chase. I liked staying in startup mode. That was stupid. I got a rush from the process. I repeated a bunch of learning curves. I had a broad swath of knowledge, but not deep. Sometimes I hit a grand slam, but more often struck out.

Paul Moore (00:04:20) - And so, like I said, I was a speculator and I was probably destined to work at Walmart after retiring. If I would have stayed on that track - nothing wrong with Walmart, and I don't mean the headquarters either. But anyway, I discovered the need to become a boring investor to not do that stuff anymore. So, boring investors attain true wealth. There's a whole bunch of chapters in this book, and this is just one of the chapters. I define true wealth as having assets that produce reliable cash flow. Warren Buffett said, “If you don't learn to make money while you sleep, you'll have to work until you die.” And attaining true wealth is not about having cars and mansions and great vacations. Those might be side benefits.

Tejas Gosai (00:05:05) - Playing it safe.

Paul Moore (00:05:06) - Exactly. And that's why I was so confused as a 30-something when I would talk to these bigger investors who would say, “I don't know anything about…”, let's say they were talking about self-storage. It wasn't at the time 25 years ago. But they would say, “I don't know anything about that, so I'm not going to invest.”

Paul Moore (00:05:23) - I'm saying, “Can't you see the upside?” And they'd be like, “I don't know anything about that. Sounds risky. No.” And now I realize they would rather get like a 6% reliable return than a 20% potential return. They're boring. And that's what I now love.

Tejas Gosai (00:05:42) - It's weird to hear those words together. Boring investors. Safe investors. Continue.

Paul Moore (00:05:46) - Paul Samuelson was the first US economist to win the Nobel Peace Prize, and he said, “Investing should be boring”. It should be like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas. Another great investor, love him or hate him, George Soros said, “If investing is entertaining, if you're having fun, you're probably not making any money. Good investing should be boring.” Boring investors attain true wealth. They also enjoy real freedom. And I'm talking about the freedom from trading hours for dollars, the freedom from staying in startup mode your whole life like I used to be, freedom from worrying about the price of your options, or GameStop deal, or your crypto account,

Paul Moore (00:06:36) - freedom from toilets, tenants and trash, freedom to use your time and money to make a difference in the world and freedom from agonizing over every financial decision. And again, if you've attained true wealth, you are probably a boring investor at least, and you hopefully are attaining these other side benefits.

Tejas Gosai (00:06:56) - Also, I'll just add, if you don't mind, being in startup mode. Also on the flip side, I represent a lot of doctors and lawyers that are working, and they just they don't want to put in 80 hours a week and they have kids. And it's like, you know, they understand that relationship that that you were just talking about.

Paul Moore (00:07:12) - Yeah, it's amazing to me how I used to want to be in startup mode. I used to get a thrill from this. And it's just that was dumb. You know, my, uh, friend, actually my business partner ran for governor of Colorado in 2018 or so, and he rubbed shoulders with some really, really wealthy people. And he said, “You know, they're really not that much smarter than us.”

Paul Moore (00:07:36) - They didn't go to better schools, necessarily. A lot of them just decided what they wanted to do at a young age, put their head down and stayed on that boring path for years and years and decades. And we can see that in Warren Buffett. We can see that in Bill gates. We can see that in a lot of successful people. They stayed on the same path and didn't chase shiny objects. And in fact, that's one of the chapters of the book. Boring Investors don't chase shiny objects. Boring investors avoid hidden costs. One of our investors and a friend of mine said he used to spend hours a day worrying about his stock options that he had at his company. They were worth a lot of money, and they were going up and they were going down. And he lost sleep. He lost energy, he lost relationships. He was always distracted. And he said he was actually unhappy. Things that affected his relationships, his health and certainly his money making capability. But now he just invests in passively in real estate and ETFs and he sails for, uh, you know, I shouldn't say for a living, but he's sils rather than works and he's a young man.

Tejas Gosai (00:08:50) - I certainly understand that. Waking up and looking at your E-Trade and how much money did you lose by 4 p.m. and 5 p.m. Yeah.

Paul Moore (00:08:57) - Boring investors lose money, but they make a fortune. And what I'm talking about is a podcast. I used to be the host of a podcast called How to Lose Money. We talked to 238 successful entrepreneurs and investors, and they told us their painful stories, from wealth to rags and then back to how to lose money concept. These people, unlike some, learned from their mistakes and they made a fortune. And now I think I could say everyone on the show said they were glad it happened to them. As amazing as that might seem at the time, they're glad that it happened to them.

Tejas Gosai (00:09:36) - Suffering helps you mother the invention you need.

Paul Moore (00:09:40) - It’s so true, so true. Boring investors turn stressors into strengths, and what I mean by that is they turn these difficult things, these things that are hard into the very things that give them an advantage.

Paul Moore (00:09:54) - And it's hard to do that, but it is important. Another one is boring investors “don't swing, you bum”. Now what does that mean? Well, Warren Buffett said that if you play baseball, you keep your bat on your shoulder the whole time, you might get people yelling from the stands, “Swing, you bum!” Well, he said that doesn't happen in good investing, because in good investing you don't have to swing, ever. In fact, you can say, no. That's one of my chapters as well. Boring investors don't swing, and boring investors walk a lot. In other words, they may not hit a homerun. They may not hit a grand slam, but they get a lot of walks because investing is a no-strike-called game, according to Buffett, which means that they're not going to call any strikes if you leave your bat on your shoulder. It's okay to do that. And it's okay to say no. My current fund, we looked at 247 opportunities in six months and

Paul Moore (00:11:01) - we only invested in five. That means we had to say no to 242. And boring investors say no a lot. So, I'm going to take a quick breath and tell me what's on your mind.

Tejas Gosai (00:11:13) - I wanted to hear about that specifically because saying no is the best sword you have, especially representing people. I think we both represent accredited investors. They're a little bit more educated. They know what's going on. They definitely look at much more detail than some other investors. They're boring investors. So, they say say “no” more times than not. Where was I going with that? So when you said no to all these deals, I mean, did you have money sitting on the sidelines? You've been looking for a property. And what period was that? Was that the past six months? 2023?

Paul Moore (00:11:48) - February to August of 2023. And those five deals we did in that six month period perfectly coincided with the capital we raised for that period. So we were able to deploy the capital in those five.

Tejas Gosai (00:12:05) - That’s an amazing feat. I have similar difficulties when we're buying a property and we're like marketing and trying to raise. Granted, my properties are again a fraction of the size of yours.

Paul Moore (00:12:15) - Ah, yeah, but you are the operator. We're not.

Tejas Gosai (00:12:18) - Oh that's true. You hire the operators. Talk about that for a second. Being wealthy and being a boring investor, you're also a bit of a micromanager. And, you know, you really want to know what's cooking. You made a shift. Just for the listeners, I manage a fund. I'm the operator. We have a team. We're local. We're hyper focused in one area. Paul is in many different places, in different assets. You have an orchestra of a world that you manage. Talk about that part.

Paul Moore (00:12:45) - Yeah. So we don't manage any of them, thankfully. When we go out, we do the very, very best job we can to do due diligence and find the best operators. And then we, after doing a lot of background checking and all that, trust them to find the property managers, to find the assets and to manage them.

Paul Moore (00:13:02) - And then we're checking in on them much more than quarterly, unless they're just doing really, really well and constantly holding them accountable to what they said they would do.

Tejas Gosai (00:13:12) - What states are you in?

Paul Moore (00:13:14) - Well, we're in a probably about 25 states. We try to avoid California. We're even in New York. Believe it or not. It's called a blue ocean strategy there. There's so many people who don't want to invest in mobile home parks in New York that we thought, “Hey, that might make sense.” After we found an operator who was an expert at it, that’s it. And so far, it's working out really well.

Tejas Gosai (00:13:37) - Amazing to look at that kind of deal size and have that control. Let's keep cooking.

Paul Moore (00:13:41) - Boring investors are hyper local. You didn't think I'd say that after you just said you guys are hyper local, but I pulled that out of order of my list. Charlie Munger's friend, God rest his soul. Charlie's friend decided he wanted to invest in real estate only within a mile or two of Stanford's campus in California, and he would become an absolute expert in every type of real estate within a mile or two of the Stanford campus.

Paul Moore (00:14:09) - And for decades, he plodded along. He didn't have the excitement of being known as a nationally known real estate investor, or even a California real estate investor, or even a Northern California real estate investor expert. He was an expert in that very, very small geographical slice. And guess what? He became a billionaire to this strategy. Isn't that amazing?

Tejas Gosai (00:14:34) - That's awesome. I can't agree enough. Micromanaging is like the best suit you could have as a fund manager, as a boring investor.

Paul Moore (00:14:42) - It's amazing to me that he was able to pull that off. I remember when I was an entrepreneurial mindset syndicator, I was like, “Well, let's get to know North Carolina really well. You know, we might miss some deals in South Carolina. We might also miss some deals in Kentucky. And don't forget Texas.” Boring investors are willing to let go of FOMO. In other words, they are okay with missing out. In fact, Warren and Charlie have missed out on thousands and thousands of deals, and they don't regret it.

Paul Moore (00:15:14) - In fact, Charlie called himself the master of stupidity reduction in the sense that he didn't try to figure out how to be the wisest, smartest, cutting edge guy. He just figured out, what can I do to avoid doing something stupid today? And that's what boring investors do.

Tejas Gosai (00:15:31) - That's smart. I typically say the same thing and in a different way. I'm like, “You have to try to lose money in real estate.” You really got to turn a blind eye on income or expense or location or one of the primary pieces.

Hey, my podcast producer will kill me if we go beyond. But I want to get into the other Warren Buffett part. Can we shift from the boring investor piece or you got anything else to wrap that up?

Paul Moore (00:15:58) - Let's do it. No, I mean, just one last thing. And that is boring investors invest for legacy. Boring investors invest for a testimony, not a title. And when I say a testimony, not a title, I'm speaking very specifically of William Wilberforce.

Paul Moore (00:16:15) - He should be the most famous guy in world history for the last thousand years, but he's probably not that well known to most people. Go look him up. William Wilberforce set aside his wealth, his health, his time to the catalyst to free all slaves who have been freed in the Western Hemisphere for the last 200 years. He died not wealthy. He died not healthy. But he had given his life for a very, very good cause. And I would say boring investors do that quite well.

Tejas Gosai (00:16:48) - Yeah, I like that legacy. Also, children. A big part of a reason that people end up in real estate is they want to hand something off to their babies with tax benefits.

Paul Moore (00:16:57) - It's very true. One of the reasons we love real estate - I wish Warren loved real estate. I think Warren Buffett would have been a better real estate investor than he has been a investor in corporate equities. I can't prove that, of course. But Warren Buffett loves intrinsic value, and it's so much easier to find in real estate than in a publicly traded stock.

Paul Moore (00:17:17) - But he's done, I'd say, quite well for himself. Did you know that Berkshire Hathaway stock dropped 99%? It would still beat the S&P 500 over the last 60 years.

Tejas Gosai (00:17:29) - That's an insane statistic.

Paul Moore (00:17:32) - Isn't that nuts?

Tejas Gosai (00:17:33) - It is. And as you've done a lot of homework on Warren Buffett, it's you said the title of the new book is rules for…?

Paul Moore (00:17:41) - Warren Buffett's Rules for Real Estate investors is the working title. We'll see if it comes out that way.

Tejas Gosai (00:17:47) - Well, I love it. Obviously, the man has done a lot. Let's talk about this. I know he has like some books for kids, and he's always trying to teach all the way up and down. But what are some of the big parts that you are pulling into the book from his legacy?

Paul Moore (00:18:05) - So we have 24 of his best loved sayings, and we've taken those and turned them into chapters. One of his most famous saying is, - and other people have said this too - but be greedy when others are fearful and fearful when others are greedy.

Paul Moore (00:18:19) - And you know, it's amazing to me that in the very worst weeks of the great financial crisis, Buffett made investments in Goldman Sachs, and I believe Bank of America, and I believe it was Wells Fargo. It's amazing to think that he would invest in those when the rest of the world was running as fast as they could to the exits. I think the principle here is that he believes… You know, Warren and Charlie said in 60 years or so of working together, they never had one significant conversation or one meaningful investment, buy or sell, based on the economy. Can you imagine that? They just based it on whether it was a great, durable company with good management and long, great long term prospects? And most importantly, Charlie said, “Every real investment you should be getting more than you're paying for.” Again, intrinsic value. So the good news for us as investors is we don't have to predict the next downturn, or the next top or the next bottom. We just act appropriately for where we are in the cycle.

Paul Moore (00:19:29) - And that's what we love about that Buffett-ism. You know, be greedy when others are fearful.

Tejas Gosai (00:19:35) - I love it. I think you know this little tidbit. Buffett, he lives in the same house he grew up in or has owned for like since…

Paul Moore (00:19:42) - 1953, I believe. He was 23 when he bought that house.

Tejas Gosai (00:19:48) - And he still lives there. He could live anywhere he wants in the world, and he's in his right…

Paul Moore (00:19:52) - And he still, you know, drives a Cadillac to work. It's not new. He stops at McDonald's every single morning and buys the same thing, and he drinks 5 or 6 Diet Cokes or Cherry Cokes a day.

Tejas Gosai (00:20:05) - Consistency. All these guys, real estate investors, are not the guys who have their act together and ladies who have their act together too. Back over to you.

Paul Moore (00:20:13) - So another big one is, you know, we've seen over this last decade a lot of new people - and there's nothing wrong with that by the way; we were all new at one point - but a lot of them have made some really bad and even dumb acquisitions and operations of assets with very risky debt and have actually profited a lot.

Paul Moore (00:20:36) - We all know the saying “a rising tide lifts all boats”. But Buffett added, “Only when the tide goes out do you discover who's been swimming naked.”

Tejas Gosai (00:20:48) - I never heard that. That's so good.

Paul Moore (00:20:51) - Yeah. Unfortunately for a lot of investors, the last 18 months, we've seen which syndicators are swimming naked. Those who use risk, floating rate debt. Those who overleveraged. Those who assumed that rents would grow to the sky. Those who assumed their operating expenses would drop while rents went up. All these things have just come to roost. And, you know, there's a lot of people with capital calls, with paused distributions and even with foreclosures going on right now, and it's really tragic for the investors. But again, the tide is out and we're finding out who's swimming naked according to Mr.Buffett.

Tejas Gosai (00:21:30) - That whole part that you just said is brilliant. I'm actually new in the private equity world. I've been in real estate for decades. Two decades. I'm in my 40s.

Tejas Gosai (00:21:40) - But I took a pause. Our fund, we raced to get off the ground. It was right before COVID. When we were all ready to go, COVID hit. We took a year long break. I watched all these other funds, and I watched other people have difficult issues and problems that they couldn't hedge. And now, you know, since we've started the fund, I'm not surrounded by a bunch of people in private equity. I hear these horror stories and things, and I compare because I'm like, “Hey, we did a really good job here. We don't have any variable debt, and we actually don't even have bank debt.” We run our fund really differently. We feel good about that. Thank you, thank you, thank you for bringing it up as a fund manager. Like this makes some of the industry look bad. But it's also like who's doing it right? There's people like you and you've been through many more cycles than me. You know, you started out small too, like everyone else does.

Paul Moore (00:22:29) - We both been in real estate a couple decades. I think the real telltale thing is we're not swimming naked. I mean, whether we're new or whether we've been doing it for decades. You know, the issue here is are we following good, sound investment principles like Ben Graham and Warren Buffett laid out, or are we trying to roll the dice and speculate?

Tejas Gosai (00:22:50) - Hitting a home run every time never works out.

Paul Moore (00:22:52) - Well, right? Yeah. Boring investors don't swing for the fence.

Tejas Gosai (00:22:56) - That's awesome. Let's keep going. I don't want to stop the the train.

Paul Moore (00:23:00) - All right, well, Warren Buffett said we insist on a margin of safety in our purchase price. If we calculate that the stock price is just a little higher than its value, we're not interested. We believe this margin of safety is the cornerstone of investment success. So I went to engineering school and I couldn't understand why we had to build in these 3.0 x margins of safety. It's actually a safety factor in engineering school that would be very similar to a debt service coverage ratio in the real estate realm.

Paul Moore (00:23:34) - You know, I was like, why do we have to if a bridge is going to hold an £80,000 semi, why do we have to build it to hold a £240,000 semi? That makes no sense. I didn't know, as a punk 19-year-old kid that one out of four bridges failed in the United States in the 1800s. I didn't know about it. Again, this goes right back to the boring issue. You know, it's it's boring. It kind of seems boring to engineer, over-engineer, but it also is safe. And that's what Warren Buffett has taught us, too.

Tejas Gosai (00:24:10) - That's a really neat way to look at it. Over-engineering. Yeah. All those little numbers that we put into our pro formas for these properties. And some people, they don't put enough reserve in there. They get hit with the roof issue. They lose a bunch of the profits for the year. It's annoying when you don't factor things in.

Paul Moore (00:24:31) - Yeah, it really, really is.

Tejas Gosai (00:24:33) - And first time investors out of the gate always make that the biggest mistake.

Tejas Gosai (00:24:37) - They're like, they want to buy a four-unit, ten-unit, 30-unit and they don't factor in the costs. Annoying.

Paul Moore (00:24:42) - It's so true.

Tejas Gosai (00:24:43) - Paul. I hate it that we're coming in time, but can you give us any last tidbits before we get going?

Paul Moore (00:24:50) - Warren Buffett, they asked him, what's the top rule of investing? He said, the first rule of an investment is don't lose money. The second rule, of course, is don't forget the first rule. And you know, those who are focused on profit, those who are focused on capital gains, those who were saying, "Well, the asset doesn't cash flow, but it's okay because we're going to double our money on it when I sell it to somebody else in a year and a half," those people are the ones suffering greatly right now. And because they were willing to risk losing money, and they had a lot of years where they made money. The more risk they took, the more money they made. Think about this.

Paul Moore (00:25:32) - If you leverage your asset at 50%, you'll make a certain return when it sells. But if you leverage it at 80%, that same asset will make over double the profit for the equity investors. And so that's what people have been doing. They've been losing money these last 18 months, and a lot of them are out of the business permanently. Buffett was right again.

Tejas Gosai (00:25:55) - That's so cool. Nobody talks about that last part that you're talking about. Thank you, thank you, thank you. And as a finale here, what do you, as somebody who's done all the things you've done, a little bit of the future crystal ball rates have been up and down. How do you stay positive in this environment? It's 2024.

Paul Moore (00:26:15) - Oh great question. So you remember I said Warren and Charlie never had a conversation about the economy when they made their decisions. We're doing the same thing we were doing in 2018, '19, '20, '21. In general, we're looking to partner with operators who are able to find significantly under managed, undervalued mom and pop assets, acquire them, significantly upgrade them, then put debt on at that new higher value, take that equity and return it into the fund and redeploy it into another asset and keep moving.

Paul Moore (00:26:49) - And so in general, we're doing the same thing we were before. It's kind of boring, but it works.

Tejas Gosai (00:26:57) - I love it! I love everything about what you're doing. You get my and the podcast Real Estate Investor MBA stamp of approval. How does somebody invest with you? How do they get a hold of you? Everything should be in the show notes. But what do you got?

Paul Moore (00:27:12) - We're working with accredited investors and they can get a hold of us at my website, WellingsCapital.com. If they want some free special reports on mobile home parks, self-storage, RV parks and more, they can go to WellingsCapital.com/resources. And if they want to follow me on Twitter it's @PaulMooreInvest.

Tejas Gosai (00:27:34) - Amazing! Paul, you're the best. Thank you so much for being here.

Paul Moore (00:27:38) - What an honor to be here again. Thank you so much, my friend.

Tejas Gosai (00:27:42) - For sure. This is Tejas. That’s Paul Moore. Everything's in the show notes. Check out our other podcast at rei.mba.

Tejas Gosai (00:27:53) - Cheers, everyone. Thanks.