

Arthur Hamel

Business Seminars

— Interview Series

**If You Invest In Real Estate, Then Here's A
Fast And Easy Way To Multiply Your Profits
By 1600% And Get Instant Cash-Flow You Can
Use For Anything You Want To Invest In**
Michael Senoff Interviews Arthur Hamel

Dear Student,

I'm Michael Senoff, founder and CEO of HardToFindSeminars.com.

For the last five years, I've interviewed the world's best business and marketing minds.

And along the way, I've created a successful home-based publishing business all from my two-car garage.

When my first child was born, he was very sick, and it was then that I knew I had to have a business that I could operate from home.

Now, my challenge is to build the world's largest free resource for online, downloadable audio business interviews.

I knew that I needed a site that contained strategies, solutions, and inside information to help you operate more efficiently

I've learned a lot in the last five years, and today I'm going to show you the skills that you need to survive.

It is my mission, to assist those that are very busy with their careers

And to really make my site different from every other audio content site on the web, I have decided to give you access to this information in a downloadable format.

Now, let's get going.

Michael Senoff

Michael Senoff

Founder & CEO: www.hardtofindseminars.com

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Published by:

Michael Senoff
JS&M Sales & Marketing Inc.
4735 Claremont Sq. #361
San Diego, CA 92117
858-234-7851 Office
858-274-2579 Fax
Michael@michaelsenoff.com
<http://www.hardtfindseminars.com>

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If You Invest In Real Estate, Then Here's A Fast And Easy Way To Multiply Your Profits By 1600% And Get Instant Cash- Flow You Can Use For Anything You Want To Invest In

In this interview Art Hamel and I discuss real estate investing and how to use his unique methods to multiply your real estate profits by 1600% and get your hands on massive amounts of cash-flow you can use to invest with in more real estate. Art also talks about Robert Allen's real estate methods and how you can use what Robert Allen teaches in conjunction with his secrets. Robert Allen actually recommends Art Hamel in his book, *Nothing Down*, and when you listen to this short audio interview...you'll see why. Now You Can "Test Drive" Art Hamel's Legendary Business-Buying System For 30 Days...For Free!

START

Art: Give yourself cash flow because people who own a lot of real estate may have a lot of real estate, but they don't have any cash flow.

[MUSIC]

Michael: Hi, this is Michael Senoff with hardtofindseminars.com. If you invest in real estate then here's a fast and easy way to multiply your profits by 1600% and get instant cash flow you can use for anything you want to invest in. In this interview, Art Hamel and I discuss real estate investing and how you can use his unique methods to multiply your real estate profits by 1600% and get your hands on massive amounts to cash flow you can use to invest in with more real estate. Art also talks about Robert Allen's real estate methods and you can use what Robert Allen teaches in conjunction with Art's secrets. Robert Allen actually recommends Art Hamel in his best selling book, *Nothing Down*. And when you listen to this short audio interview, you'll know why. Enjoy.

Michael: Let me ask you a question. Tell me about what this real estate exchangers do? What is that about?

Art: What they do is they put on marketing sessions all the way from a small local groups that get together for coffee once a week or once a month to other ones that will be together four or five hours one day once a month to the nationals. At the national meetings, they're usually two or three days of marketing.

Michael: Are these all real estate investors?

Art: Yes, but they're also business investors. They're people that own real estate or are brokers of real estate. That's who you have. Now, since I got into it 30 some years ago, I got them to the point where they have businesses there also. Now, what I do when I go there, if I want real estate in a transaction or I'm going to offer the person part ownership in the company for real estate, what I do then is I will present the business making a million and a half dollars a year and tell them if you put your free and clear income property, we will exchange you for part ownership in the business. We've been doing it with investors for 25 or 30 years. We've had zero failures. We haven't had one person even get nervous, but we do idiot things. In other words, we go after idiot type businesses. We go after businesses that most people don't buy. And the reason we do that is the _____ rate is lower, it's easier to buy them.

Michael: This is where funds can come from buy financing on the free and clear property.

Art: What we do on this -- I have taught people in real estate to do this and what most of them do, since they're a real estate broker, they will go out and they'll refinance the real estate. They'll get a loan on it and then put the equity up. I don't do that. What I do, and I will do it with them; in other words, if I'm working with one of your students, I will go to the bank and get a credit line and say \$10 million. We will then put \$10 million, \$11 million in real estate up as collateral. These people will then get ownership in the company. And that's what they get at the close. We get the real estate. We then have a credit line, which gives the buyer the cash to buy this and pay me and pay the attorney and CPA. And what I do under my guidance over the next six months or a year is we sell the real estate and pay off our credit line.

Michael: The benefit of being involved in one of these real estate exchange groups is what? What's in it for these people who go these meetings?

Art: Putting together more deals together because in the better ones, you have a lot of people there that are dealmakers. In other words, they put deals together. They don't go there just to have coffee. There's a lot of them that work on the large million dollar deals, multi-million dollar deals. That's what they specialize in.

Michael: Now, are these real estate deals and business deals?

Art: Yes. I'm bringing the business deals to the transaction and we have a few that do that also. But I'm basically there for real estate. That's what I'm looking for. Now, at these meetings, also, there's a number of people that representing investors and people with cash that want to buy real estate. They'll present that at the meeting. What I will do is go to them and say instead of buying real estate, we'll give you part ownership in this business and we'll give you three things to your client through you. And that is, we're going to give you more cash flow than you're getting now, you're going to get more growth, and we're going to give you the same or less risk. And I'm then able to pull people over. Most people think I'm going to the meetings just for real estate. Most of the time I'm getting cash. We don't need credit lines or anything like that. If I sit down and tried to describe everything we do on these things, that would give somebody a headache. They'd never remember.

Michael: Are them some tax advantages using real estate?

Art: They do 1031 exchanges.

Michael: What is that?

Art: It's a deferred exchange. In other words, if you go in and do it right under the tax code, you don't have to pay tax until you sell the next property. But you can do the same thing on our deal. What we do is we form a corporation, usually a LLC during the purchase period of this company. And that's what we're trading for. We're trading the stock in the LLC and there's a tax code that says if you bring assets in during the formation period of a corporation, it's tax deferred. So, they don't pay taxes on it until they sell their stock.

Michael: That's interesting.

Art: People have been doing this a long time. This did not develop overnight. In fact, if you went back 50 years, you probably did things a lot differently.

Michael: Now, what was that one you had that real detailed bio on that you're a member of? There's a real estate exchange group.

Art: That's a top group in the country, the Society of Exchange Counselors. We have 100 and some members plus they have a number of invitees that come to the meetings also. They meet six times a year. They put together hundreds of millions of dollars of deals at every transaction.

- Michael: So, you see all kinds of big deals going together?
- Art: I have for 35 years. And most of it is real estate because I'm bringing maybe one or two and at the meetings I'm seeing hundreds.
- Michael: Are most of them real estate deals that are going on or are there others doing business deals like yourself?
- Art: Not many with business deals. If they do have larger business deals, bring them to me and ask me if I'm interested. So, they don't really present them. Now, occasionally they'll present some at the meetings, but smaller stuff. So, they know me at the meeting for going after free and clear improved income property any place in the country. That's what we do.
- Michael: What would you tell like all of Robert Allen's students? Let's say all these guys are out there investing in single family homes and apartments and duplexes and stuff like that, cash real estate investor, entrepreneurs. Robert Allen referred you in his book, Nothing Down. What would you tell these guys to keep an eye out for as far as opportunities? Finding a desperate seller or a home in foreclosure is an opportunity, but what would you tell them as far as being aware for business.
- Art: I would tell them not to do that on a business. You can actually buy a good business for less money than some crappy turnaround. And again, people are coming to me many times said I have one that's going to cost me less. I said let's see how much it's going to cost you by the time you get it straightened out. All I talked to them about was the fact that they ought to diversify their portfolios. There's nothing wrong with owning real estate, but real estate, again, maybe he _____ a good price and maybe you're just paying market for it. Let's say you're paying market for it. They have different creative things. When you get into business, what you ought to do is just go straightforward and buy a good business. Give yourself cash flow because people own a lot of real estate may have a lot of real estate, but they don't have any cash flow. Let's take Southern California. If I were with Robert Allen in Southern California, the cap rate on real estate is between 2 and 4%. So, I get 2 to 4% return. What kind of return do we get minimum on business, 25%? Hello. I just talked all the time, telling them that even with a little leverage on these, our returns on our businesses runs 16 times what the average real estate does in Southern California. Our return is 16 times. I mean you really have to be an asshole not to understand that number.
- Michael: Because you're limited on your upside with real estate. You're only going to get so much on the rents.

Art: Right. But here's what happens. I'm going to say Southern California have 2 to 4% cap rate. Now, it wasn't that long ago that the cap rate was 10. So, somebody who is out and buys a property for a million dollars, its 10% cap rate. A year later the cap rate has changed and the cap rate now is 2 to 4. So, they've just lost \$400,000 on their value. And there are people in California, especially, are stupid enough, the investors are, to buy this and then they find over the next couple of years the property goes down. Unless you're buying in at 10% or in that category, you're going to end up getting screwed unless you're going to go through the property.

Michael: So, real estate, especially now, even in Southern California, it's risky right now.

Art: It's super risky on that basis. But I just talked all the time to these different groups of real estate brokers and they just sort of look at me like what's your point. My point is -- well, let's say you're out there, a broker, trying to make a living and the cap rate is 4% right now, which is not very good. What are you going to do, quit selling real estate? Hell no, they don't quit selling it. And I doubt that they even notify the client. And even if the client was notified, they'd say I want to buy California real estate because it's going to appreciate. Well, the only way it appreciates is the cap rate changes; the economy is a different type. It doesn't mean you have more income. In fact, you basically have less. Your value does up, why, because they're saying now that in real estate you would buy it and instead of getting a 10% return, you're only going to get 4; you're going to get 2% return. What the hell good is that? So, you're getting 2% return now and when you go out, if you go in the right time, you get five times return even on real estate. And the people are so damn stupid, they buy this property.

Michael: Just give me your opinion. You don't have to say anything negative as far as what Robert Allen teaches nothing down. His techniques, are those realistic? Can you get rich doing what he teaches?

Art: A lot of people have. I don't know what he's teaching now. All I can tell you is over the years I have worked with me or followed up on what he was doing and Al Lowry; things like that. They were going into houses and fixing them up and then reselling, the old Nickerson formula from years ago. In our real estate meetings there's a lot of people doing that. In other words, they're not saying I'm a Robert Allen person or a Nickerson person. But they're in there because all these people are opportunists. So, they're looking for real estate that has a problem that they can solve. That's what a lot of them do. So, we'll be able to buy this property in bankruptcy or something like that or they'll find a seller that's very highly motivated and will sell below market. They'll be able to pick it up, solve the problem. Maybe it doesn't have any occupancy. There's only 10 people out of a 100.

Michael: Usually you make the money on the desperate situation.

Art: That's where the real money is. But people always ask me if I'll do that, but the reason I don't is I tell them I don't know how to solve those problems. Now, I could turn a business around. But if you ask me to turn an apartment building around or a shopping mall, I wouldn't know what to do.

Michael: But if you look for a business that's already making money, you don't have to steal it. What you're saying is you're upside leverage is 16 times what you can get on a piece of real estate.

Art: Using Southern California as an example, I have a speech that I've given for the last two or three years around the country to broker on that very thing. I start off by telling them we're going to talk about 60% cap rate. And actually the cap rate I'm going to talk about is going to be 70 or 80% cap rate. Even though I'm telling you it's 16 times as much, it could be 20 times as much on the business. And every time I've done this and given this talk, not lately but in the beginning a couple of years ago, people will be sitting there with their pencils and pens and try to figure out what game Hamel was playing.

Michael: There're trying to figure out what you're talking about.

Art: Well, it's very simple. I just said here's how businesses are priced, here's the financing you can get on it or not get on it. If you go out to the market, these are the multiples you're going to find. And I said when you put all this together, this is what you get. And I said you can go out and check everything that I have in here. I've never had to change it because this is what the market is. So, go out and check it and then see. But again, even if you have a large return, people are afraid to take a chance on business. It's like I go to the meetings. I may give somebody a return, say with real estate if they're getting 4%, I'd give them 5%. Now, let's say you're getting 4% return on your real estate and I offer you 5, how much more is that percentage wise, 25%? How many people wouldn't jump for a 25% increase in their income? So, I give them 5%. Now, normally over the years, we've worked with real estate at 10% and we would give them 12, which is 20% more than they're getting now. Now, if I can buy a business with a 25% return and I can bring investors in with 12, what percent of the company do I keep if I bring investors in for the whole price? I keep 50 some percent of it. Some are giving up 12. I have 25. If you're buying a service business, you may start at 30 and give up less. Now, if you can go out and find people that have a 4% cap rate and give them 5, you'll end up with 65-70% ownership in the company. That's how the arithmetic works

out. The only thing you have to do when you have 4% cap rate real estate is you have to move that right away. You don't want to get stuck with it.

Michael: How would you compare, if you took a one of these Robert Allen students that are out there looking in the classifieds, they basically have to do the same thing to find a real estate deal as any of your students would have to do to find a business deal. They've got to go out to the property, they've got to talk to the owners; they're basically doing the same thing. They're just looking at two different entities.

Art: Right.

Michael: Do you think there's about equal amount of work involved in each?

Art: No, there's more involved in a business, but the rewards are greater. When you get involved in a business, even the smaller businesses, a little donut shop is more complicated than a real estate transaction. Once you're in the ones we're talking about, again, the businesses are more complicated because when you get up around a million dollar net, you have a complicated company and you have to be able to do a good job of due diligence and stuff like that.

Michael: But the rewards could be 20 times.

Art: But keep in mind, normally real estate is up around 10% cap rate. So, even though they could do a lot better with a business today, if they would wait until the right time with their real estate, they would get 2 ½ to 5 times the return they're getting right now. It is a stupid time to buy this type real estate because it's not going to stay there. How do I know this? I've been in this business 35-40 years and I've watched it come up and down and back and see all these dumb people going in there. And here I am. I have no swampland I could sell them.

Michael: Do you have any impression the real estate market today? Do you believe it's inflated right now, it's going to drop; any idea?

Art: I've been going to these marketing meetings, as I said for 35-40 years and I hear the same bullshit all the time being handed out and I read the stuff in the paper, which is some much hydrogen sulfide. I don't believe any of it. Real estate just does keep going on up. I do realize that. But also, you can say, God the houses in Southern California are so expensive or New York City. These areas are not the most expensive in the world and if you go to London or Tokyo or if you go to any of these other cities, real estate prices are really out of sight compared to there. So, this is just what happens. So, even though prices here in Orange County are low and maybe they'll have a problem, I don't see that because just like I've live in

Saratoga in Northern California for 31 years and we didn't have the house market going up and down like L.A. did. Orange Country right now has everybody in the world wanting to live here, which is the same problem we had in Saratoga. And so, although they're going to keep saying house prices are going to come down, now what they're going to end up doing is sell a lot of land here. They're just going to keep building more and more houses.

Michael: So, as long as there is a demand to live here, the real estate is going to keep appreciating.

Art: That's what drives the real estate.

Michael: Supply and demand.

Art: That's right and down here people really want to live here. Again, it's just like somebody come to you _____ extensive experience in real estate, I tell them I've been in the market for years and we have brought in hundreds of millions of dollars of real estate in our business deals. What we have appeals to everybody. I mean anybody that would go to a program that's charging you X number of thousands of dollars for a week would be stupid not to hook up on what we have. The problem is if we had a class of 100 or 200 people, we'd have 200 people at the end signing up. The program was setup for them to go out and do it on their own, finance assets, and that does work and just let them know. Of the 50 some years I've been in this business, the first half of them, 25 years or so, we were financing assets. It's only the last 25 or so that we've been out working with investors. So, the first 25, I didn't know a bean about investors. It's just we got into this because I couldn't figure out how to do the funding for our next generation operation. And so, I went back to the investors, but I had never done that before and I figured when I did it they would turn me down.

Michael: Let's just do a little talk on the cassettes. It teaches them how to finance assets, but that's still totally doable on smaller ones.

Art: And larger ones.

Michael: And larger ones.

Art: Now, we were buying larger ones at the time, the same size we're buying now and finance the assets. Now, when you're financing assets -- that's why I prefer manufacturing because you have equipment, you have accounts receivable, you have inventory. A lot of times you can go in and say I've a \$10 million deal, I'm going to give you \$ 2.5 million down, and you carry back financing. So, we got the owners to carry back maybe 50%

- of the operation. It would be very simple to go out and borrow or lease back our assets. So, I could use the equipment, I could the accounts receivable. And our goal also was even though we had owner financing, which we would structure to make sure it worked, and even though we had financing on the rest, on the equipment, we still had 50% of the cash flow left. Our rule has also been 50% or you don't do it.
- Michael: All right, let me ask you this. We also talked about rarely did you find an owner with a \$10 million business who wants to finance it.
- Art: That's right. So, you're going to find most of the time what we were doing is you're financing more of the assets.
- Michael: So, more of the assets we're financing, but was the owner still financing?
- Art: Well, we had more of it at that time because we were pushing for it.
- Michael: But that could still be pushed for today.
- Art: We could push for it today. The problem is I offer cash and get a lower price. Back in those days, it did not bother me making payments because I wasn't used to do anything else. But I'd gotten out and spent 25 years with no payments. You couldn't get me back again.
- Michael: So, anyone going to the course, that's still totally legitimate option that they can do on their own. If they can't work with you for whatever reason or they don't want to mess with investors, they could still put the deal together by financing assets.
- Art: That's right.
- Michael: And that's what the course talks about.
- Art: That's right. That's what we spend most of the time doing and we just lucked into this other. It was not a big master plan, just luck.
- Michael: Very good Art. Well have a great day. Talk to you soon.

That's the end of this recording with Art Hamel. I hope you've learned some new real estate investing tactics and how to multiple your real estate investment by investing in your business. For more information, please listen to some of the other audio recordings and interviews I've done with Art Hamel. If you have any other questions, please feel free to call at (858) 274-7851. There's an interview in the section of the audio recording at Hard To Find Seminars. It's with a business buying expert. His name is Art Hamel. If you go back to my site, hardtfindseminars.com and go to the Product section along the left side in the light blue, you will see a list of topics. Look for the one that says business buying. Click on that link and you'll be taken to about seven hours of exclusive

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interviews with Arthur Hamel. Arthur Hamel has purchased multi-million dollars businesses, over 200 of them, in his lifetime and he will tell you how to do the same thing. It's some fascinating content and I wanted you to know about it.