3 LESSONS PODCAST

How Josh McCallen Went From a $32K Duplex to Controlling $150 Million in Real Estate

Episode #10 Transcript

Matt Bowles: My guest today is Josh McAllen. He has been investing in real estate for almost three decades. He's also an entrepreneur, CEO and the host of the top-rated Capital Hacking Podcast. He currently leads Accountable Equity, a private real estate investment firm serving accredited investors and VIVAMEE Hospitality, a fast-growing experiential hospitality platform focused on destination resorts and lifestyle driven portfolios. Josh has led three different companies to the Inc. 5000 list. And in his personal portfolio, he and his wife now control over $150 million in real estate.

Josh, welcome to the show.

Josh McCallen: Matt, thank you for having me here, buddy. I want to come in hot and fast and ready to deliver value told me to do before the show.

Matt Bowles: Well, I am super excited to have you on the show today, sir. You have been in the real estate game longer than I have, almost 30 years. And I am wondering if you can start us off just giving folks some background context. Can you talk about where you grew up and then your journey to deciding to buy your very first rental property in 1998.

Josh McCallen: Right. So similar to a lot of people that get on these shows, we got to build a lot of this ourselves, you know, with spit and grit and scrappiness. Grew up in a family that you know what's actually interesting, I've never shared on a podcast before. We grew up in a situation where my mom had a stroke, my parents had divorced already and I'm seven years old and I'm doing the laundry and feeding my mom because we're a small little family with humble means. So, you think, oh, okay, well that, that leads to hard work. You know, as soon as you get a bicycle, you're allowed to be a paper boy in the 90s, actually 80s, that would have been the 80s. Wow. And so, you know, paper boy, then I'm a pizzeria guy, then I'm a dishwasher guy, I should say. And then eventually valet parker and all the hospitality service businesses.

But what was overarching and how I got into real estate was probably the desire of the, the stories. You know, here I am growing up in a humble situation, but my mom, you know, there's this weird aura where she had grown up in a pretty affluent family. And the reason they were affluent was the father who was my grandfather, had gone from, you know, being a good hard-working guy in his 20s to buying his construction company from the owner who was retiring, which at the time didn't ring a bell to me. But now I think about how, how smart that would be for anybody listening. And two, he parlayed that into land development, parlayed that into a major construction company with seems like he got carried equity interest and built a lot of like landmark property in Philadelphia in the 70s. So, my mom went from the normal middle class to high middle class, maybe low, you know, affluence.

And so, when I grew up, first few years before, we had our stresses in our family. I have a vague memory of going to see this palatial mansion on, not on the Main Line, but in bluebell, Pennsylvania and hearing stories of all the things our family had built. And I'm like, wow, it left an impression, but it was a small impression because that probably was over by the time, I was three, maybe five. And in reality, we grew up as a pretty low middle class family and then getting into college and beyond, my wife and I, you know, I thought I'd get into business. I had a deep faith conversion and ended up trying to get it. Working hard to get into ministry and education, but always drawn to being an entrepreneur.

Here I am now in my mid early 20s and Melanie and I have a chance to buy our first house in a town that was easy to buy a first house in, meaning the property values were low, the income was okay, so the arbitrage was easy to get a mortgage and buy a house. And she's like, let's buy the perfect little, you know, white picket fence. And I said, honey, what if? And I remember this debate, I have no idea why. I said, what if we buy a multiplex house where there's at least two front doors and if we do that, they'll pay the mortgage and we'll live for free. And she's like, what are you even talking about? So, this was the 90s, I must have been reading Robert Allen or something. I don't know how I knew about that because my parents didn't do that. My grandfather was much wealthier than that, but estranged. So, I'm not sure. But that's how it all began. I bought a duplex and we watched the magic of living for free. They call it house hacking mail.

Matt Bowles: So that's really interesting you say that because my first property that I bought was to live in as well. I was single though at the time, in my twenties. And so, I bought a four-bedroom house and I rented out three bedrooms to friends of mine. So very similar concept with the house hacking. But where was that first duplex that you bought and what was the experience like owning that first duplex and then what ultimately made you decide to buy more?

Josh McCallen: So, it was in a town called Steubenville, Ohio. So pretty humble college town near Pittsburgh, but in Ohio. And the property value I think was purchased for $32,000, believe it or not. We did get an FHA. So, we only wrote a $3,000 check. I believe that's what they know, not even, I don't even think we put a three-thousand-dollar checkup. But bottom line is we end up keeping that. We end up living in Europe for a period of time which was a killer opportunity for four years and we kept it and we received checks every month, you know, right into our bank account I guess for 10 years. And then from that we sold it for a massive percentage gain, but only a $42,000 check. So, I think by that point we probably owed, I don't know, probably made $15,000, 12,000, not a lot of dollars, but a massive return on nothing, almost nothing invested. And we knew that that had to be a part of our life forever.

Matt Bowles: So, from there what were your next moves? How did you decide what type of property to buy next and then take us on that journey of scaling your portfolio all the way up until the what it is today.

Josh McCallen: So, the scale point went on pause for about 10 years. And so, for 10 years I ground, built a career as a high achieving kind of administrator, ran this campus of a university in Europe that was a hotel. Came back to America and got into, I was the one thing that that first real estate experience taught us was contrarian thinking. I think we were the only people we knew doing that. Melanie was against it at first and then became very passionate about it, wished all her family members would do it. So, we had become convinced that contrarian thinking was a good thing, you know, instead of being with the herd.

So, when we were done all kinds of wonder life experiences in Europe, we came back to America, settled our roots in my hometown of Philadelphia and worked hard to network. And there's a lot of stories there, so I, I'll spare you, but it, I had earned an MBA by this point. We were a successful business credentialed person. So, I thought that the chance was. Now I was young, in my 30s and we tried. We met with several business owners in the world of real estate and tried to get involved in land development through creative channels, meaning ideas and sweat equity and human capital. And it worked. Eventually, after six months of it not working, meeting people, one person introducing to the next person. It didn't work right away. Where we were, we were presenting our ideas, presenting ourselves, asking for introductions.

In the end, we found an introduction, and this opened another door. The person who we met actually was a recent, maybe within the last 10 years of meeting him, had had a major liquidity moment selling a business. Which means he set up what I did not know at the time, which was a family office. And in his office was very few of us, three, four of us the time. And so, I joined as like a middle management project manager in his real estate portfolio. And he was doing the coolest stuff in the world. Building beautiful, unreputable houses on speculative risk at the beach, which means he was a house flipper at the beach. And the coast here serves the New Yorkers, the Philadelphia and the D.C. and the Washingtonians. Those people want really expensive beach houses. So, my first house I ever built was $5 million. Our second house I ever built was $7 million. And then it’s kind of plateaued around 7 million. But we ended up doing several.

And during those days, it was the boom days. Even though I didn't have a deep credential in building houses, I was there to help the GC get going quicker and basically be our eyes on the ground. Well, back in the boom days of 5 or 6, GCs were hilarious. Anybody with a pickup truck and a convincing contractor speak was hired. I mean, we were hiring people for massive contracts that probably didn't have the credentials to do it. Okay. But it was the boom days. So, everybody with a pickup truck was qualified and they did not live up to the standards. What are the standards? If you're building a $5 million property, you got to worry about the details. The walls have to be great, but the walls have to be designed in such a way that they're ready for the finishes and there's no waviness. And then the finishes have to be done. And all this level Soph created this opportunity for me. Now it was my first-time reading blueprints. I was not trained in construction management, but neither was the GC. Okay.

So, all it was a matter of me being concerned for the owner, the family office, and the GC having so many jobs, they couldn't pay attention. So, I ended up stepping in as the person there six days a week, plus talking to the subs. And so, it ended up being a general contracting education more than just a project management. And boy, did I fall in love with architectural detailing, working with interior designers. And it kind of spurred on a different focus in construction and a different focus in real estate. At the time, I was not the capital. And I got to experience massive capital deployments, massive contracts, and I think it helped create the sense of growth. So, from there I ended up, long story that parlayed a bunch of credentials. I ended up, years later, that same group. We fixed up a hotel that he had bought in the boom days and now it's the depression days, the great recession.

And we turned that hotel into. I called it a franchise prototype. If you've ever read Michael Gerber the E Myth Revisited, he helps you realize that if you're going to build a small business and you think of it as you're the world's best builder or you're the world's best baker, he has a whole story. Michael Gerber tells a lot about baking in, in this story, because the world's best baker shouldn't open up a bakery unless they're going to turn that bakery mentally into a franchise prototype. And so, then he goes into explaining what he means. And it so enamored me. I probably read the book ten times that my mind was if we're going to do a resort turnaround, which is what we needed to do, we were going to do it in such a way that we were going to build an infrastructure for not to actually franchise. That's the other key to the book.

It's not that you're ever going to sell your franchises. It's that you need to run this business so that you could have 10 more of these or 100 more of these. And so, we built our first ever resort. And the one mistake we made, we probably made a few. But the one big mistake we made was thinking of resorts like we thought of houses. And so, a resort by definition is usually a vacation-oriented place. But also, it has to have extra revenue sources. It has to have revenue sources that produce a lot of money beyond just the bedroom. That's a hotel. A hotel is just a bedroom. And you can get rich on hotels. And you add sophistication if you build a resort. But you can also really expand the capabilities if you have a resort, which means restaurant, which means catering, which means fun activations like beach bars, ticketed concerts, weddings. All those revenue streams were part of our model.

And so that model became super successful. I became president. We won Inc. 5000 twice at that property. Those businesses, we ended up buying more. And from that we left in 2018 and were able to create an entire new platform, similar hospitality, real estate distressed valuation was a good key, but with many multimillion-dollar revenue streams on the same piece of real estate. So, we've really lived out that Michael Gerber strategy of if you're going to do it once, do it in such a way you can repeat it and refine it. And so that led us to a building, this is where you're going to love Matt. We ended up building a private equity company. Why you're like, well, I thought you guys were good at hotels. Yes, we were good at hotels. We were getting great at hotels. As a matter of fact, Inc. 5000 is one award we won with that first business. But the other thing we won, which was bigger, was top 25 hotels in the country in America out of 55,000 ranked on TripAdvisor. And we held it twice, meaning two years in a row we were number seven in the country. And that was because we transitioned our mindset from real estate hotels to service operations hotels.

They both need to be beautiful, but if your mind shifts to the act of service as your passion now, you can be great at it. If you just think of it as beautiful architecture and really cool chairs, sofas and furniture, you're going to get hurt because these are operational businesses. And so, we really worked on making operations better today. VIVAMEE is our brand that we're building. It'll be seven resorts by the time these releases. With, with going from 2 million in revenue the first year to almost 60 some million this year will hit and we're only a few years old, so we're growing it at a pretty successful pace. And it's supported by accountable equity, which is the way we bring capital. Right. So, the whole idea is you can build, you can buy distressed properties and you can fix them up if you're independently rich and wealthy, or you can let the equity be traded to other people and you be the operator and, and work hard for the equity and work hard for the day-to-day guest. And that's how we designed it.

Matt Bowles: Well, Josh, you and your wife now control $150 million in real estate at this point in your journey that started almost three decades ago. And I'm wondering if you can reflect back on your entire real estate investing journey and identify the three most important lessons that you wish you knew starting out. In other words, for somebody beginning their real estate investing journey today, what would be your top three pieces of real estate investing advice that you wish someone had given you when you were starting? What would lesson number one be?

Josh McCallen: Yeah, one would be, I wish I would have done a franchise prototype of how I bought my first property, which is leveraging something called a W2 job. So, if you're listening today and you have a job, congratulations, you've just unlocked the key to wealth. You can parlay that job into a W2 statement or checks pay stub, and you can walk into any bank today and get a mortgage at some amount. There's a certain amount, but you can get it. And then you can go find an asset, a real estate asset that's worth that. And if you use the really cool incentives like an FHA or other cheap down payment ways, you could control a $300,000 house for I don't know, what's the worst you'd have to pay? 15 thousand if you did an FHA 5%, I believe it would be. So, if you can muster up 15 grand, you can begin a wealth career, a wealth trajectory, and then you can learn to repeat it again. So W2s are key. I call them the golden ticket to real estate. I wish I would have parlayed mine more. I wish I would have bought 10. But I didn't. So that's one lesson.

Matt Bowles: All right, what would lesson number two be?

Josh McCallen: Well, and of course, that one, I wish all my staff would do, a thousand people work with us right now that have W2s and I wish they all would start the journey. Number two, we would say once you get beyond your first house and now you want to get into this world of real estate as a business or at least a major part of your life leverage tax strategy, especially when buying commercial real estate or sometimes Airbnb's and things like that. Find out by listening to podcasts, by Googling or nowadays ChatGPT. Find out the key ways that you can use the tax code to accelerate your acquisition of the second commercial property, the third commercial property. I would say I wish I would have learned the power of wealth creation through tax strategy.

Matt Bowles: That is a really good tip. And then what would lesson number three be for you, Josh?

Josh McCallen: This is going to blow your mind. If you're listening right now and you're an executive, your human capital, your talent, your people in your phone, your Rolodex that all comes together as something called human capital. And honestly, it beats financial capital every day. So how can you strategize to use your talents, your network, your unique abilities to leverage human capital to attract more financial capital like I do on Capital Hacking Podcast, I teach it. But that is a lesson I would have thought about clear earlier because it, it. You know what? It corresponds to Robert Kiyosaki's book Rich Dad, Poor Dad. Where he says the rich don't work for money, they work to learn. What if you guys who are currently working to live could live like a rich person for a few months or a few years and just turn your job into a free education? It depending on what you're in, you can find angles in your way to leverage your own human capital for wealth. The sooner we figure that out as a group, the more powerful we each can be.

Matt Bowles: Well, you mentioned the Capital Hacking Podcast, a top-rated podcast that you are the host of. I have been honored to be a guest on the show. But for people listening here, maybe this is their first-time hearing about the Capital Hacking Podcast. Can you share a little bit about the origin story? What inspired you to start the podcast? And then what is the framework and the proposition that you're doing with the podcast? And what can people expect when they tune in?

Josh McCallen: There's really no hidden agenda. You know, there's nothing to sell. We're not doing coaching or anything like that. Yeah, I always say it's a free mastermind. And a mastermind is when you get to rub shoulders, put yourself in a community of people that are doing it the way you want to be doing it. So, I call it an, we call it an audio mastermind. And what it's doing is it's constantly letting people meet Matthew Bowles and others like him that have use their human talents to create financial wealth or human capital. And that's the key. Human capital attracts financial capital. And what we do is we journey through people that are doing it through their work, people doing it through their investing, people that own the businesses that once were a dream. How did they get there? And we're finding all the success leaves clues.

And I did all that because in 2018 when we wrote the story for the show, and then in 2019 when we launched it, and it's definitely, you know, top 1%. It's got 440 shows, 450 shows. By the time you get this, it has created a community of the people on the show are now your friends. And by the way, they're usually available. You can usually ring them right up there. They'll leave. Sometimes they leave a phone number. Why? Because they're, they're doing what you want to do. And all you have to do is rub shoulders with them. First, get to know them through the show second, follow up and you will change the trajectory of your life because you made a choice.

Matt Bowles: What have been some of your reflections or things that you've learned in interviewing 400 plus people because they're in different parts of the real estate industry than you may be in and you're talking to all these really smart, successful, interesting people. When you think back on all those conversations with what have you personally taken from the podcast?

Josh McCallen: Yeah, for one, it is a mastermind for me too. So sometimes we do it as a strategery. We'll invite a lot of CPAs over those 400 shows, teach us the IRS tax code, brother or sister. So, one we've allowed the experts on the show to teach me, teach you, teach all of us at once. That's been very helpful tactfully. Other times, these are people on the show that are so many steps ahead of where I'm at that I just get to listen to how they think. Now, I would say the number one thing you'll take away from listening to shows like what you're doing Matt Bulls and what we're doing over at Capital Hacking is those who have done it ahead of you are not fundamentally that different from you. You know, whether it be the IQ levels, similar, their ideas are similar. What's different? They made a decision and kept going with it. Oh, and secretly they put themselves in the right community.

Now, some people do it through expensive masterminds they pay for. Like, I pay for Gobundance. But other times they do it through strategies like shows. And these shows are creating communities like our Capital Hacking. All it is people who connect through these shows. They changed the five people you're around through these shows. And that's what we're. We're just doing it. And that's actually what I've learned. I don't know of the 435 wonderful guests, I would say probably 20 or 30 of them, I wouldn't have met without the show. Maybe 50 that also became mentors or friends. And mentors just mean I try to offer some value to them first. And then they always say, how can I help you? And it's literally just another conversation.

See, remember someone helping you. This is the number one piece of advice. Someone helping you does not mean you go for the hard ask. So, say you love listening to Matt's show, or our show, his episode, and you're like, man, I love that guy from Turnkey Investing with Real Estate. I love that guy. You might call him and contact him and it may not go for an ask like could you fund my next project, Mr. Matt Bowles? You may just ask him for the wisdom that he shares. And then that leads to another great introduction which leads to you ultimately getting to your goal. But you have to be a little patient. You have to be a little patient. You can’t always go straight for the close.

Matt Bowles: Yeah. Anybody that's listening to this podcast, I definitely want to encourage everybody to check out Capital Hacking as well. How can people find the show and tune in?

Josh McCallen: Yeah, Google Capital Hacking. And it is literally two words, *Capital Hacking*. But I also say it’s, you know what, I learned it, I learned it from listening to Tim Ferriss. I don't know if you remember Tim Ferriss, dude, he was so big at one point. I'm not sure how big he is anymore. He's bigger than me. But life hacking, I mean, that guy kind of created The 4-Hour Workweek and life hacking 20 years ago, I think.

Matt Bowles: So interesting that you mentioned that, Josh, because The 4-Hour Workweek actually played a huge part in my journey. Because, as you know, because you know my story, I was unexpectedly let go from my job, which is the moment at which I pivoted and started Maverick Investor Group and started helping people to buy turnkey real estate and all that. The moment that I was let go from my job happened to be 2007. And so, when I was starting my business, I was like, well, I don't have a business background. Like, I don't really know how to start a business. I know that people are asking me to help them buy turnkey rental properties. So, I know that I can do that. But how do I build that into a business?

So, I go to the bookstore in Los Angeles, Barnes and Noble at the Grove, if anybody knows LA, and I went there every day and I just sat there reading books in the business section about how to start a business. One day I walk in, first thing I do is look at the new book section each day in the bookstore. And there's a new book by some 29-year-old kid no one's ever heard of named Timothy Ferris called The 4-Hour Workweek. I pick it up, I read it the day it came out, Josh, and I was like, that is what I want to do. Because one of the things that he talked about in that book that changed my life entirely was this concept of the freedom of mobility. And if you're going to build a business, if you can build it with a fully remote infrastructure, that gives you then the freedom to travel the world, to live in different places, to be wherever you want to be.

And so, as you know, I have been doing the digital nomad lifestyle for many years while running Maverick Investor Group. And a lot of that all goes back to those concepts in Tim Ferriss book, The 4-Hour Workweek. And actually, I'm curious. You mentioned that you lived outside the country and in Europe and different places around the world as part of your career. What were some, what were some of the places that you lived and what were some of your highlights from your travel experiences?

Josh McCallen: So, Philadelphia boy, lived in Ohio for a long time with colleges and grad schools. But then I finished up in Michigan, my education, and had a great time living in Michigan, near Detroit. But that led me to Austria. Now, Austria, Europe is where Melanie and I spent four years, had two children there, lived in the Alps, Sound of Music style, not too far from where Sound of Music would have been filmed. And boy did we have a killer village life. And that led us to being able to travel to every. I mean, we've probably been to almost every European town, a country more than once. So, we didn't actually do too much. The only digital nomad stuff I did there was that one house hack I was still owner of. But I didn't do it the way you did it, buddy. I should learn from you.

Matt Bowles: Well, I love that, man. And I'll tell you, Salzburg, Austria has a special place in my heart because the very first time that I went to Europe and spent time there, I was studying abroad in college and my roommate and I did a backpacking trip. You know, Euro railed around Europe on a budget. And we were thinking, oh yeah, we'll just be going to all these different cities and Salzburg, maybe we'll stop there for a day and just like keep it moving. We stopped in Salzburg for a day, fell in love, ended up staying there for four nights, which was a huge percentage of our trip. I mean, that was like. And then people were like, oh, you went to all these places, you know, Italy and France and like all these things. What was your favorite city? We were like, Salzburg, Austria for sure. Like, that was the city that impacted us the most on the trip. And it was just unbelievable. So, I have a huge, huge love for Salzburg. So, it's so fun your family was able to spend so much time there. What a cool city.

Josh McCallen: We could geek out on that if you want. But do you remember all the scenes from the movie, if you know, Sound of Music, the cemetery scene, Remember that? And there's obviously was Hollywood sets, but they Had a replica of what was there in Salzburg. Did you ever get to that little cemetery?

Matt Bowles: I don't know if we got to the cemetery, but I remember this was many years ago when I was in college. But I remember they had a Sound of Music tour. And then, of course, Mozart is also from there. And I can just remember they had these really. You could go down into the salt mines and have a tour down there. And they had these castles up on the hill with music concerts. I was just like, what? I mean, I'm in college. I've never seen anything like this. This is blowing my mind. It was spectacular.

Josh McCallen: It is spectacular. Well, I have to tell you, one little bit of my life's journey started there with the. Right after that cemetery. Not that it's in the movie, but right after that. Is this place called, Gosh, St. Peter's or something like that? It is the oldest continuous hospitality asset or property in Europe. It's been open since the Middle Ages, never closed. And it's the idea of hospitality for weary travelers. You know, it's got the St. Peter's Keller, I think it's called, and the housing. It was part of the tradition of the monks or something. So, I remember thinking, wow, hotels and hospitality. Stick around for a while if you're doing well. So that's left a massive impression on me. It's funny, it happened like one or two feet away from where you're talking about.

Matt Bowles: Well, I understand, Josh, you also have a book out on 10 steps to build wealth with Resort and Hospitality assets. Can you share a little bit about that book and how folks can get a copy of it?

Josh McCallen: Well, this is before the boom in Airbnb, so it's a little bit of a grandfather book, but it's something that Airbnb people always download. It's our 10 steps to designing and operating hospitality assets that then, of course, passive investors join us. I mean, millions of dollars have come in that way for 400 families. So, they read it as a way to understand what we're doing with their capital, and it sometimes inspires people to do some of it on their own. So, it's the 10 steps to build wealth with Resort Hospitality. And it's free. I'm giving it away.

Matt Bowles: How can people get a copy of that book and then any other way that you'd like people to follow you on social media or come into your world?

Josh McCallen: Sure. Thank you for plugging Capital Hacking. I think that's a fun, easy way to get to know each other. But the way to get the book is there's a website with again two simple words, accountableequity.com and the bottom of the first homepage is a picture of myself and Melanie and we share all our secrets there on the 10 steps to build wealth with Resort Hospitality. So, you just click it at the bottom and download it for free.

Matt Bowles: Alright, and as your very first episode of Capital Hacking, if you've never heard the show before, it's a fun one. If you want to listen to the tables turned and hear Josh interviewing me on his show. So we'll link that up in the show notes and you can check that out as a first episode and then go through his catalog. He has got hundreds of episodes with really smart and really interesting people. So, I really appreciate what you're doing with the podcast and all the value that you're providing, Josh and thank you so much for coming on the show. Everything you've mentioned will be linked up in the show notes as well. So, everybody can just go check that out and then hopefully come into your world. So, thank you for being here.

Josh McCallen: Thank you, buddy.