Market Myths & Truths: Insight from REI Extraordinaire, Dr. Peter Linneman

Host: Josh Cantwell
Guest: Peter Linneman

Welcome to Strategic Real Estate Coach Radio, hosted by Josh Cantwell and Kyle Garifo. Strategic Real Estate Coaches, where the nation's leading real estate investors, brokers and agents turn to transform the way the real estate business is being done in neighborhoods across the nation. If you desire to make more money, do more deals, grow your passive income and build the lifestyle you've always wanted, you need Strategic Real Estate Coach.

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Josh Cantwell: Well, hey there everybody. Welcome back again. This is Josh Cantwell, CEO at Strategic Real Estate Coaching and Freeland Ventures, Real Estate Private Equity. I am extremely excited today to be with you for another edition, another episode of Strategic Real Estate Coach Radio, where you've heard from not only myself and other industry experts, but industry titans like Barbara Corcoran, Jack Canfield, Kevin O'Leary, and today I'm again excited about our guests that we were able to secure for today's interview and we're really excited to have him on. His name is Dr Peter, Linneman. Dr Peter Linneman is an industry titan as well. He is a professor emeritus from the Wharton School of business, real estate and finance. He's authored textbooks and training programs for university, specifically on real estate investing, real estate finance, as well as how to evaluate opportunities and risks in real estate. And we're very excited to have him not only on today's program but also as one of our keynote speakers at our upcoming Flip and Fund summit. So, Dr Linneman. We're going to call him Peter Today. How are you doing today? And, and what's, what's, what's new in real estate? What's going on in your market?

Peter Linneman: Well, the most important thing is as a long-term Philadelphia resident is that the Philadelphia Eagles are super bowl champions and we had parade yesterday, so that's the most important thing in life right now or the happiest thing in life. Let's talk about real estate, commercial real estate. Actually, let me start with single family first because we mostly will focus I suspect on commercial, but single family is a very interesting sector. Single family housing is being still being massively under produced. It's being held back by one simple phenomenon. And that is that the feds, hyper low interest rates for the last decade have robbed people of any income on safe savings. And think of safe savings as checking accounts. A six month to two-year CD. And if you think about where normal people don't think of rich people, normal people put their money while they're building up a down payment. They're putting it in that type of stuff. Well, zero interest rate by the Fed just robbed those people have any return on their money and they had to save that much longer to come up with a down payment.

Peter Linneman: It also meant that I'm a real people think of a grandmother who's 70 years old a decade ago with $400,000 in life savings all in six months to two years CDs. And you say, well normally that woman would have been getting on $400,000, say three percent a year, four percent a year, 12 to $16,000 on her life savings for the last 10 years. As a result of the feds, a low interest rate policy, that woman has gotten zero on her life savings. Zero. What would that woman have done at the age of 70? She's now 80. What would she have done with that? Well, grandma would have given a little too Susie to help her out with their down payment. She had given a little too grandson Billy to help him out with a down payment and she hasn't had that money to help on the down payment and probably as many as 40 percent of all buyers of homes.

Peter Linneman: And probably about 95 percent of all people under the age of 40 rely on those kind of transfer payments. And when the Fed lowered the interest rate, not only did it take longer for somebody to get the necessary down payment on their own money, but it also meant grandma and I'm putting a face on it with grandma. Obviously, it's a general statement of anybody who relied on short term safe savings as the way they say, not hedge funds, not real estate, not just six months to two years CDs, they had no income. And in fact, the way that the transfer occurred for those is only one grandma died and made the distribution, did the grandchild's get a little bit of money. And that's why you're slowly see slowly over time. The single-family housing market gets more demand. But you need a down payment. It's not about the monthly.

Peter Linneman: Everybody thinks it's about the monthly, you're going to pay a monthly, either an apartment or in your home. And as you know, the monthly is not so cheap and apartments these days in rice markets, it's the down payment and that is what was wiped out by the zero-interest rate policy. And in fact, as interest rates rise, you're going to get a short-term interest rate, right? That's the six months to year kind of interest rate. As that rises, you're not surprisingly seeing people get more income on their savings and you're going to see more happening. That sector has been so misunderstood by policymakers that yes low interest rates may boost home prices a bit, but that just makes it more difficult for the person who's saving to buy the home. And it means they've got no money for the down payment anyway.

Peter Linneman: So, this has been a very misplayed effort on behalf of the Fed, at least in terms of single-family housing. As a result, I'll transition as a result. What normally is a sector that is in excess at this point in the cycle with two or 300,000 more homes than normal being produced at this point in the cycle, we're still a couple of hundred thousand below normal. If there's a silver lining in that, it means that that still is a sector that is going to power the economy forward for the next couple of years. People need homes, we have a shortfall of about almost $3 million single family homes over the last 15 years, and so that is a powerful force on the economy. I don't know if you have any question you might want from that, then I'll move over to commercial.

Josh Cantwell: I do Peter, and the question really relates to those people who are investing in real estate. There's a couple of new phenomena as well that have happened since the great recession. One is that you're starting to see a lot of markets. What are some data providers? One of my good friends is a vice president at Realty Track or Adam Data Solutions. And they're starting to see some markets, what they are, what they refer to as getting into bubble territory places like San Francisco or Seattle or you know, back to Nevada, Arizona. Some of the same exact areas that were part of this bubble back in 2007, eight, nine when that, when that burst. And so, you have these interesting factors going on. One is that we don't have enough single-family real estate we're 3 million units short, we need builders to build more units. That's one factor. You have all these millennials that are delaying home ownership and are stuck now moving into, you know, getting married and buying homes and having children later in life, and then you have this other factor which is that financing for single family investment properties from companies like mine, my private equity fund, or Colony American Finance, there's so much more real estate funding out there.

Josh Cantwell: You know, 10, 15 years ago Peter, there was only Fannie Mae and Freddie Mac and everybody had to get a loan from them and they have unlimited use of the number of loans you could get. Today there's all this alternate real estate finance for both residential and commercial and the numbers just don't seem to add up. Do you have a take on how these things are all impacting each other?

Peter Linneman: You mentioned the colony homes and the Starwoods and the Blackstones on the single-family front and the smaller guys who have bought anywhere from 10 to homes and renting them out. If you think about it, all they've done is provide the down payment. Because that's all they did. They provided the down payment that the person didn't have. They're charging them a monthly, right? The monthly is not so different. They have to borrow money, the people have to borrow money, and in fact the Blackstone’s and colonies, the borrowing rate is higher for them than it is if you got an individual mortgage Non-Recourse, interestingly. So, somebody has got to pay for that debt. Someone's got to pay for the property tax. If somebody's got to cover the operating costs, that's a wash. Whether you're the owner or Blackstone's, your owner. What Blackstone did is provide the down payment that the Fed made impossible for people to come up.

Josh Cantwell: That's an interesting take on that.

Peter Linneman: It really highlights the issue. It really highlights the issue of what there was not a shortage of demand for housing. There was a shortage of capital available for down payment and as you point out, these alternate sources appeared and they're out there and they're going to need to be out there until people build up the down payment, which is going to require interest rates to move back. Short term interest rates to. Move back to normal. By normal, if you've got a two percent inflation normal going to be two and a half to three and a half percent on the short end. Again, six months to two years CDs kind of a is where I have in mind. So, you're right there are a lot of alternatives and you know it's funny, we thought of ourselves as landlords, but what we really were is in the finance business of providing the down payment, but we didn't do it by a mortgage. We did it by, I want the upside of the housing recovery. What happened was you have about a million and a half people who got no benefit of the upside of the housing recovery because they didn't have the down payment and that was a real phenomenon. That was a very real phenomenon.

Josh Cantwell: And how Peter do you anticipate the market unfolding over the next couple of years? Because the Fed seems to be indicating there might be three fed rate hikes this year, maybe in q two, q three and q four. Rates are going to start to creep up a little bit. How's that going to impact things over the next couple of years?

Peter Linneman: Short rates going up is a good thing. Short rates going up is a good thing. It gets the closer to market rate, it gets them closer to the right kind of signals. It gives people more money for down payment, it'll speed the single-family demand. Now it's not going to happen overnight because grandmother isn't going to go from a decade of no income to now, she's got $442 and say, Yippie. It's going to take a while to breakthrough psychological barriers and emotional barriers, so forth. But it will feed the single-family housing market which will feed the US economy. And I'm not worried about short rates going up until they get above sort of three and a half percent and because I think the market rate is in the range of two and a half to three and a half percent. Nobody knows, but that's my gut and moving it up towards the market. I believe in market rates, giving good signals and improving an economy. When interest rates increase are dangerous, is when they go above market rates, not as they go to market rates and we're in an environment where the interest rates going up or going to market rates which send better signals and are more efficient. When the Fed pushes them above market rates is when it can choke off the economy.

Josh Cantwell: Got it. So, when people are talking about well the Fed raising rates are going to slow things down real estate will slow down. You know, you hear the talking heads on TV mentioning that your take is that, that's, that's helping us get to normalcy. It's helping us improve the economy. But like you said it once we get over that three, three and a half and its above market rate is when it can cause trouble and choke things off.

Peter Linneman: Absolutely, it makes common sense. Do you really think the Fed has divine wisdom on where interest rates should be? Of course not. By the way, if they were that good, we ought to put them in charge of setting all prices for everything in the economy. Well, the reason we don't do that is we know that market prices are not perfect, but they're better at creating, getting growth and efficiency. Then mandarins deciding and what we've had for the last decade are not only mandarin, is deciding to short term interest rate and to some extent the long-term interest rate. We've had them set it at unnaturally low rates like we've never seen, and gee, we've had unnaturally low growth. It's cause and effect is part of the problem. It's not part of the cure and reminds me of I live very close to where Benjamin Rush, who was a famous physician, signed the Declaration and the Constitution, was one of the founders of a Pennsylvania Hospital which was the first hospital in the United States, and one of his great skills is he was a great leader and he would bleed you until you got better. What we know today that that was an enormous mistake. Not that he was ill intended, but it was an enormous mistake. And I think that's what history will someday looked back on. The prolonged abnormal non-market, low interest rates. It was done in good faith that was done to believing they were helping the economy, but in fact it was hurting the economy.

Josh Cantwell: Got it. That's interesting and I really appreciate that take. Because I think so many people assume that the operators inside of the Fed and the operators inside of our government have this crystal ball and they know exactly what's going to happen and they can just pull these levers and are always right. And I appreciate hearing a more common-sense approach from you and knowing that these people are not wizard sitting behind some, you know, magic green door with every answer there. They're doing the best they can.

Peter Linneman: It's much more like the wizard of the Oz. Their doing their best and they're trying to pull a lot of leavers, but they don't know. They're just normal human beings doing the best they can. And when you deviate from the market, especially if you deviate from market very long, it drags on the economy. This is a lesson all society have learned in any number of environments. So, this is just normal human beings. I know some of them over the years, a couple of them over the years, I wouldn't have let balanced by check book. Not that they're not trying to do a wonderful job, it's just come on, they're just human. They don't have divine insight on the right interest rate. They don't have a model that says the right interest rate and effectively what we've had for the last decade is a Fed that believes they're smarter than markets and the outcome has been slower growth than norm. You make your own judgment of cause and effect.

Josh Cantwell: Do you have a take on this single family market know a lot of people are starting to see that there is more of this alternate finance where not only is Colony America, Starwood, not only did they buy tens of thousands of rentals, but they also are now providing loans to real estate investors, real estate operators to buy and do fix and flips or rental properties or portfolios of rentals or lines of credit. There's all this alternate funding available, not just ownership and rentals, but funding and we're seeing now again, according to Adam Data Solutions, the largest number of real estate investments being funded with financing. And I think what I'm getting at Peter as you know, is that pushing the residential or single-family market into a bubble.

Peter Linneman: It's all about filling the gap that I'm talking about on that down payment. If you think about it from a social point of view though, you can see why it's been. It's good that this alternative developed. The alternative would have been a total gap, right? So, I'm not saying that filling the gap hasn't been good thing, but it's easy to see how it's been a drag on the economy that such money is needed and it's very easy to see. Blackstone, Colony, etc. URI, as an investor, we want a 15 to 20 percent return on their equity. And the debt is costing about five percent. If you think about if you personally want to buy a home to live in, you historically have been happy to get about five to seven percent return on your equity and you can borrow at four and a half or three and a half percent. That means the cost of capital is massively higher for this sector than it's ever been.

Peter Linneman: And not ever. I mean, it would have been even higher if these guys hadn't filled the gap, but you can see why it's a drag on the economy if instead of a five or six percent cost of capital for the homeowner, which is traditional, you now have on a blended basis some number in the 10 percent. You go, oh, that's why there's less single-family homes being produced. It's just that simple, so I think all these gaps that are being filled are great and they're making the world better, but what would be even better is if the Fed let market rates occur on the short end, people went back to the way they normally financed. You'd get more activity, there would be more jobs, there'll be more people building homes and moving from a title company searches and all that kind of stuff and it's happening. It's just happening very slowly.

Josh Cantwell: Now I know your publication, The Linneman Letter, is read throughout the globe on real estate, United States real estate. I know you focused primarily on commercial in that letter, but there are the leading companies throughout the world that rely on that. For those people in our audience who don't know what that is, tell us a little bit more about the Linneman Letter. What does it there to do and why are you so passionate for it? Because I know it's your baby.

Peter Linneman: Yea we've been doing it about, I don't know time flies. I think 16 years or so, we put it out quarterly. I write long letters it's well over a hundred pages. It's rich in data. I don't know if anybody relies on it, but I know a lot of people read it and use it to help form their thoughts and to question their own strategies. And in a funny way I think that's most valuable is to provide information, not just data but information and thoughts that challenge your thinking as a decision maker. It's not that I have a unique insight. I'm no smarter than the guys at the Fed. I just told you I don't have a great answer, but I think I'm pretty good at raising questions and making clearer, why I think a certain way so that you as a reader can cross your thinking and your strategy and say, well, I think he's crazy because.

Peter Linneman: Or I think he's right or I hadn't thought of that or he's so I think it's really more as a challenger to how you're thinking about things and opening your mind to a few things you might not have thought about. We've been doing it now I think about 17 years. It's been very satisfying. It's an odd mixture of economics, actually quite sophisticated. Trying to make it simple, of capital markets of real estate supply demand fundamentals, of transaction prices. And then we also always try to have a couple of interesting odd topics like, the state of education or something big that affects our society, inequality. And we will put little pieces in so you don't just get your head down nothing but real estate. I think people enjoy that as well. And so, it, it's in an odd way.

Peter Linneman: Imagine you conducted a conversation with me over the course of a quarter. It's my thoughts and you get the right to not listen to me the whole time. You can pick and choose what you want to listen to when you read it. But it's been very, very heartening. It's been a growing beast and it's very helpful for me because it makes me think through, there's nothing that makes you think through what you think then having to write it down and circulate it to smart people that, that, that challenge of having to write it down. If you think back to an exam, the main thing that you got out of an exam was the preparation. Was it the grade? It was the preparation that you had to think about what you were going to write on the exam. This is sort of the same way. Each quarter I take an exam and write it a of my thoughts, but I have to actually try to think that through and sometimes I change my mind over time, but it's made me think through it.

Peter Linneman: I'll give you a perfect example. Everybody has said for that, when interest rates rise, cap rates are going to rise. You know, you've heard, that right? And for several years, eight years you've heard that. Well, I got writing about that and if you look back to what I was saying maybe eight years ago, I was one of those people. And then I started looking at data and I thought, hmm, didn't seem to work that way. Interest rates were really low in 2009. Cap rates were really high. Interest rates were quite high in 2007. Cap rates were really quite low and other examples, right, and I looked at the data as best I could and no relationship, but what I did find was a huge relationship between cap rates and the flow of lending. The amount of commercial mortgages growth, the growth to the number of commercial mortgages just outstanding and that's what seemingly drives cap rates.

Peter Linneman: Well having to take a position made me look deeper and then looking deeper and thinking deeper and I continue to think about this issue, but I've kind of discovered is interest rates are not the determinant of cap rates and if you look at the data, you don't see it. If you think back intuitively episodes, you don't see it. What really determines cap rates are flow of funds, so when you had huge flow of funds, and I'll take the example of 2017, temporary got low and when you had no flow of funds in 2009, cap rates got really high and it didn't matter what else was going on. It was all about the flow of funds. It's made me focus and try to get people focused more on watch the flow of funds rather than the interest rate.

Josh Cantwell: So, when funds are readily available which goes back to the conversation, we were having a few minutes ago. Now that you have all this alternate finance available and there's such a large flow of funds coming into real estate, both residential and commercial. It's allowing operators, both the mom and pop level all the way up to the institutional level, get access to more funds, which means they're buying properties more readily. They're buying them at higher prices, which is pushing cap rates lower. That seems to make common logical sense.

Peter Linneman: Yup. The money's got to go somewhere, right? And when I tell people that they go, oh yeah. And that does seem to make sense. So anyway, that's a good example. It, it's been very heartening and it's helped my thinking. I think it's helped others thinking and yeah, it's a good challenge and it's something we enjoy doing.

Josh Cantwell: Fantastic. So, for all my listeners, absolutely you can look up Dr Peter Linneman and The Linneman Letter online. You can opt in and subscribe to The Linneman Letter and you'll hear his quarterly thoughts, which we're getting some of those live on this call. Dr just a couple more questions and then we're going to wrap up, but I was interested to hear your take on the recent tax bill. The change that was just passed. You know, obviously there were some advantages and disadvantages for real estate in there. And as you're writing this next quarterly, your thoughts, I'm sure you're going to have some take on the tax bill. What's, what's on your mind when it comes to the tactical on how that's going affect our economy and real estate.

Peter Linneman: So, let's take the affect directly on real estate. There are some there are fairly nuanced and in general, are not going to change the playing field a lot. It is the simple summary of the taxation part of real estate. You can find little examples of gee the fact that very high-end homes can't deduct as much interest might be slightly beneficial for very high-end apartments, but not the run of the mill apartments and such. So that's the summary on the tax bill. If you then go, how will it affect real estate more broadly, it will stimulate by the best estimates I've seen show about 110 basis points of additional GDP growth a year. Coming from very simply, lower corporate taxes compared to the rest of the world and which will attract capital will make us a more attractive place to expand and it's not going to happen overnight, but it will make business activities more attractive.

Peter Linneman: It will also by reducing tax rates make investing and earning profits more attractive, making risk taking more attractive, and that drives growth in the economy. And then the other side is by reducing individual tax rates. Once you've done is say, money that would otherwise be sitting in the hands of the government deciding on what to do with it, you get to decide what to do with it so the money exists either way. You get to decide what to do with it. History tends to show that you are more efficient in terms of generating growth when you make decisions on what to do with your money than the government is. So, if you say about one percent more of your income will be in your control. If you generate it sort of 50 percent more efficiently than the government would in terms of generating growth, that's a big stimulus.

Peter Linneman: And so, and by the way you say, well, why? If you think about it, the government's objective has to do with political objectives and redistribution objectives when they have the money. It's not good or bad, it's just factually true. That's the political’s objectives is paying off political debts and redistributing money. When you have the money. That is not your objective. Your objective is how do I make my life better and that's where the additional growth comes from. The lower tax rates on individuals. That's going to stimulate the economy and I think give this recovery extra legs beyond what it would have had. It's not about stimulus. Some people have said it's a stimulus package, a stimulus package it's a package about making the US economy more robust and getting back to three percent growth. It's not per chance that we've had below three percent growth and a period of very high regulation and a period where our taxes did not go up, but they didn't go down while the rest of the world did go down and, in a period, where we had huge regulatory interventions.

Peter Linneman: And you can say all the regulatory interventions done by the Fed and by the Obama Administration were good. That's a separate issue. Whether they were good or bad, they did slow growth and if you think about regulations, so there's been an enormous pullback in regulations that will continue. And if you think about it, I'm not talking about if the regulations are good or bad. That's a very micro decision on each regulation. But every regulation takes money out of growth and then do lobbying and compliance. And when you have less regulation, you have less money going into lobbying and compliance and that money goes into other things that stimulate growth. And so, as the pendulum has swung to lower taxes, less regulatory intervention, less Fed intervention, you're going to see the economy picked up growth, you're going to see above three percent growth.

Peter Linneman: Again, I've been saying for eight years that if we did this, we would get above three percent growth. That's going to spur demand for real estate. And you're going to boost NOI's more than you would have without those factors. Supply is in pretty good shape. You can find markets that are overbuilt, but you can also find markets that are under built. So, for example, in apartments, you can go to Core Urban apartments and it's probably overbuild in most markets in the near term, because everybody got there and titled the seven years ago and they all came online at the same time. I think that will balance out. But if you find an Urban Core product over built right now in apartment, you can find most suburban markets are slightly under built. So, if you go across supplies in pretty good shape, you're going to get a demand jolt, interest rates going up are actually going to spur a bit regulatory reduction and tax reductions going to spur the economy. And I think it's actually a pretty good-looking period for the next couple of years from the supply demand point of view.

Josh Cantwell: Fantastic. Love that take, thank you for that. Sort of a one-off question as we head towards home here, what are your thoughts on the senior housing market? I had a lot of my members and subscribers are really starting to look more at senior housing, assisted living 55 and over, memory care. You know, the silver wave they're calling it of all the baby boomers. It seems like there's a tremendous opportunity there, but there's also seems to be a tremendous amount of consolidation between larger players in that market. And if you have any thoughts on how sort of the smaller or intermediate players can, you know, where are the opportunities for those folks?

Peter Linneman: It is a pretty micro product and therefore there's always room for the entrepreneur, whether you have one new product or seven sites or 12 sites. And it's a pretty micro product, it's not the kind of, if you don't build a million square foot facility like you would an office building or a shopping center, it's very micro and that tends to keep the bigger guys somewhat out of it. The bigger facilities are the ones they tend to focus on in the more major markets. Lots of opportunities in smaller, more niche markets secondary tertiary markets. I think the number I'm doing this on top of my head. Eighty percent of people retire within 10 miles or 20 miles of where they were living before they retired. Yes, there's a push to Florida. Yes, there's a push to Arizona and so forth, but most people are going to retire or when I say retire, go to senior housing near where they're currently living. Unless they're kids that moved way far away and as they get more ambulatory will move there.

Peter Linneman: The biggest danger in senior housing right now is the biology that the baby boom is ready to move in and it's just not true. The lead edge of the baby boom. This is simple math the lead edge of the baby boom is 70. The general view is that people don't tend to move into senior housing until around the age of 77. That means that the baby boom is going to get there, but not until about seven years from now. Now when they get there, it's going to be a big spurt, but in the meantime, if you just do the math, who's coming into senior housing for the next seven years? They're the people who were born between 1939 and 1946. Those were lean years because of the end of the depression and World War II. Those were not big demographic years, so you're actually looking at peer demographic fig speed quite bleed for the next seven years and then the big spurt gets there. I just caution people to understand that. The baby boom, we'll get there, but by the time they get there, if you built today, by the time they get there, you're going to have a seven to 10-year-old independent living facility trying to compete with somebody coming online with the new one. I like he sector, but that simple mathematic demographic. This is another good example of what The Linneman Letter made me think through. I got it backwards onto the birthday ages, but if you do, you say who's turned 77 over the next several years are people born 39 to 46 and then you start getting the front end of the boom moving through. I like it as a sector. it's a real sector. It has a lot of niche opportunities, but be realistic about the mouth is what I'd say.

Josh Cantwell: That's fantastic. I really appreciate that. Because a number of investors and people that we work with and consult with, that's something that they're keeping a very, very fine eye on. And it's interesting, everyone keeps talking about this, you know, this, it's coming, it's coming. But when I read the real math, there's a tremendous amount of. They can see there's a lot of people are building a senior housing with the idea of getting private pay, but only 20 to 22 percent. Twenty three percent is private pay. The rest of its Medicare, Medicaid paid. So, the cap rates are lower. The NLI's are lower. It's really not, the math just doesn't add up. That's why I wanted to get your take on it.

Peter Linneman: It's tough math and it's going to continue to be tough math for another. It's not impossible math. Obviously, it's a very niche exercise, but it's a tough math. It's going to continue to be a tough match for another seven years. And then the real question is what happens to government pay when the baby boom finally gets there? In an odd way that's what your betting on in some sense now. And then in a way you might get a little closer to that answer before you make the decision.

Josh Cantwell: So last question, Peter, and I love this part about your passion we always in my own life, love to give back. We've had a tremendous amount of success as you had love to give back to the market. Get back to the world, give back to our community. You're very passionate about your education foundation. Save a Mind, Give a Choice. Tell us a little bit about what you're doing there. Love to hear more about that.

Peter Linneman: I was an educator all my life. A blue collar kid. Out of five children only two of us went to university and I was fortunate enough to get a PHD and it served me well in my life. And we've supported scholarships, some American universities and some children in disadvantaged situations in the US. But I stumbled into a situation about 15 years ago in rural Kenya with children of absolute destitute conditions, many of them orphans. And we began a program called Save a Mind Give a Choice. We're very micro. We will pick a child with some promise. We generally bring them in somewhere between the age of eight and 14. And our promise to them is, as long as they do well in their schooling, we'll provide everything they need to go to grade school, high school, university, and including clothes and if they need a computer and including emotional support and advice and clothes and books, food and many.

Peter Linneman: And so, we have graduated over the years about 65 students, so we put all the way through and ended up graduating university in Kenya in all types of field medicine, nursing, engineering, conservation, hospitality. We have 140 children in the program now ranging the youngest is seven and the oldest is in graduate school. And we put them through. It's a very rewarding. We put them in private schools or in government magnet schools where we have to provide their, we get to provide their life support. I go over, we spent time with them. I write them. In fact, as I look at my computer screen right now, I forgot about nine messages from my students that I received as emails this morning.

Josh Cantwell: Wow.

Peter Linneman: It's just kind of the normal traffic. I get nothing big, you know, but little things like how are you feeling? Because I had a medical procedure last week. And gee I saw the eagles won. What was that like? And just little things like you have with real. And so, we have, this is a real passion. It's very micro. Hundred 40 children are not going to change the world, but it might change 140 lives.

Peter Linneman: And we have one of our children was an orphan at the that we brought into the program when she was eight and she is now a sophomore at Temple University in the United States majoring in business and real estate. So that's the only one we have in the US. All the others are in Kenya, but dreams can come true if you help them a little bit. And it's not to say everyone is a miracle, but every one of them is pretty amazing in their own way. And I, my wife and I support it with some help from friends and anybody who is interested, feel free to reach out to me. I'd love to tell you more. And if you ever wanted to go to Kenya and let me know. And I go every year in august for about 10 days. So, but thank you for bringing it up. It means a lot and it really is a passion for us. And in fact, I'm meeting with one of the education officers at noon today. So yeah, it's a big thing for us.

Josh Cantwell: Fantastic. I love that. And that's, I think a big part of rounding out a successful career is just giving back and I think people don't have to wait until they have a successful career to give back even small successes in our lives, whether they're financial successes or emotional or relationship successes, giving back I think is a critical component to having a full, complete, robust life. So just as we close.

Peter Linneman: I would totally agree, and I'd only add one thing. Is that when I started, I thought I was the giver. And as I sit here for 15 years later, I realized I was the receiver of it all. I think that's part of what you mean is that you often think you're the giver and you end up being the recipient. I've learned so much and benefited so much from interacting with these kids.

Josh Cantwell: That is fantastic. So, Peter, if anybody wants to reach out to you, whether it's about your foundation or The Linneman Letter, is there a website they should visit or an email that you want to give out, what's the best way people can reach you?

Peter Linneman: Yes www.LinnemanAssociates, LinnemanAssociates.com. And that has connections to everything and I think the connection to our Facebook page and so forth is on there and love to have it if I can ever help, but it gives you how you can give me an email and I'm pretty good at answering. So.

Josh Cantwell: Fantastic.

Peter Linneman: I appreciate your hosting this and giving me the opportunity. I look forward to seeing your, your friends and clients in a couple of months. About two months or so.

Josh Cantwell: That's right. That's right. We go live in about two months. So, for those of you who are very interested in coming and learning and meeting myself and my team of coaches and consultants as well as our keynote speakers, which is a Dr. Peter Linneman, who you're hearing from today is going to be our keynote speaker Friday night. And then Kevin Harrington, who is one of the original sharks from Shark Tank and is responsible for bringing over 20 companies to 100 million dollars of sales revenue is going to be our keynote speaker Saturday night to talk about real estate, of course, finance, entrepreneurship, and of course how to be a successful profitable real estate investor. You could check that all FlipandFun.com. If you've enjoyed today's interview. And if you find us, whether it's on Facebook or whether it's on our blog, whether it's on iTunes in our podcast, leave us a comment, leave us a review, leave us a rating. Let us know how we did. If you have a question, leave it right beneath the video or the podcast we'll answer that live and get back to you. Hopefully we'll see all of you at the Flip and Fund summit FlipandFun.com/Peter. Peter, thanks again. Thanks so much for spending some time with us. I know you're headed out of the country for the next couple of weeks, so have a great trip and be safe.

Peter Linneman: Thank you very kindly and see you soon.

Josh Cantwell: Alright guys, take care. We'll see you next time.

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