

## Ep #56: Interview with Glenn Stromberg



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## Ep #56: Interview with Glenn Stromberg

You are listening to the *Dentist Freedom Blueprint* podcast, with David Phelps and Evan Harris. Navigating you through the uncharted waters of a turbulent economy with straight-forward advice to, transform your practice into a self-sufficient cash machine, compound your net worth assets, and multiply, multiply, multiply your passive cash flow streams.

David: Good day everyone, this is Dr. David Phelps of the Freedom Founders mastermind community and *Dentist Freedom Blueprint* podcast. Glad to have you with me today. Got a great topic, you're going to love this. A good friend of mine on the phone and he is a trusted advisor with the Freedom Founders mastermind community.

Has been in the housing and real estate industry for over 33 years. He's also the author of a book *Private Lender Secrets Revealed* and he and I are going to talk about what he considers to be one of the best-known—actually let's turn this around the other way—it's one of the best-kept secrets of real estate investing. So let me introduce our guest, Mr. Glenn Stromberg. Glenn, how are you doing today?

Glenn: David, I'm doing great. Thanks for having me.

David: Super to have you. Glenn, we've known each other for quite a few years. Back when we first met, gosh it was seven or eight years, time flies, but you know it's been a while. I remember one day that Candice and I, my wife and I, wanted to go out with you and look at some of your properties. Without totally giving the big reveal here, but we drove around with you and looked at some of your properties.

What we came away with that day was, wow. The investment class, the property class, that you have known for so many years and been involved with in such great

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depth has really come a long ways. Do you want to go ahead and open the door and tell our listeners what you're talking about?

Glenn: Absolutely. Yeah, the manufactured housing industry. I put it this way, I've been in the manufactured housing industry since the early 80s. I've been in pretty much every facet of it, I've owned a mobile home park, I've developed mobile home subdivisions. At one time, back in the late 80s, I owned thirteen sales centers with a partner, retail sales centers with a partner.

I put it at around 1990 as when the manufactured housing industry really got their construction house in order. They upped their game. It was a neat thing, my dad, he was a builder and a mason contractor. He came out to look at my properties. He looked at them and he said, "Wow. These things are better built than a lot of the tract homes in Chicago," which is where he's from.

Yeah, so what I love about the manufactured housing industry, it's the quality construction. Like you said, I think it is the best-kept secret in real estate investing. I honestly believe that because in a lot of cases, I can buy the properties at half the investment and in a lot of cases, they're more than double the cash flow of the sticks or bricks houses.

The nice thing about it is, like I say, just not much competition. The real estate guys just don't know about it and are just not in that space.

David: When you talk about the improvements in the quality of construction, let's go back to pre-1990s. What's actually changed, Glenn? Because I think a lot of people have kind of a stigma if they've never really looked at a current

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manufactured home, mobile home. They have a stigma about them. As you said, they think about them as kind of like a rusty, metal box, right? Sitting on some forlorn place out in the country.

Glenn: Absolutely.

David: Not at all the case today. So what actually has changed in those standards? Bring us up to date and then I want to talk about some of the features you actually see in them today because, yeah, I'm blown away by the quality of construction and the upgrades and the features you see in these houses.

Glenn: Right. Well they made two major changes. Number one was the flooring. Back in the 80s and 70s they used to use particle board flooring and they just weren't built—like you said, they were metal boxes. It's all plywood, OSB flooring now. Another major, major change that the industry made was that they made them FHA financeable. The homes are on land on a FHA-financeable foundation. So they're not just sitting out there on the dirt. They're not just sitting there in the dirt where they used to settle and so forth.

As far as the features and the construction of them, there are manufactured homes now that go for \$250,000, \$300,000. They have every feature you could name. I mean, you would not know that you're in a manufactured home in a lot of that houses that you would go in.

David: So Glenn, I know you're an investor in mobile homes and we'll talk about the actual investment and how that works out. But let's just talk about for a moment from an owner/occupant standpoint, let's say somebody goes to a dealership today as an owner/occupant. They're going to

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buy a mobile home, a double wide, they have triple wides, and I know they have other configurations.

But what's going to be the draw for an owner/occupant to say, "Hey, honey, let's go out and find our new dream home. We're going to the lot today to pick one out" because they have some land somewhere. Why would they do that versus get a contractor and build a stick-built, a custom home, from the ground up? What's the draw?

Glenn: Because they get a lot more square footage for the money.

David: Okay. So it's typically—could you give me a price per square foot that would be—I know you're giving us a range because there's like any kind of housing, there's a range. But what would it be today?

Glenn: I'll say this, I actually went out to Clayton Homes where I had a franchise as you know for 15 years. I went out and looked at some of their houses. Today it kind of blew me away and made me realize what great values I'm getting on the ones that I buy, because they're \$100,000 and up. I mean, for 1,800 to 2,200 square foot houses, which is primarily what I buy, they're anywhere from \$100,000. By the time you take the home out there, put it on the land, set it up, decks, the foundation, everything, they're in them for anywhere from \$100,000 to \$150,000 these days.

David: Now Glenn, a lot of people have the idea that anything that moves, like cars for example or boats or anything that moves, can be moved on wheels, depreciates. If you put a mobile home, a higher-quality mobile home built since the 1990s on land so it's on a foundation, you take off the axels, and take of the wheels, does that still apply?

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Glenn: No. Absolutely not. It is real estate when you bring them out to the land, it's not a personal property. Personal property mobile homes, there's a place for those and that's a lucrative business when you own a mobile home park but they do depreciate. If it's personal property, they will depreciate. If it is on land, they put it on a FHA—we put it on a FHA foundation. The tires are long gone. And no, they hold their value very very well.

I would say it this way, David, in my territory here in north Texas, we stay about \$50,000 below where the sticks and brick houses are. In Johnson County which is probably my primary county, the typical stick and brick house there now for a 1,600, 1,700, 1,800 square foot house is \$175,000. So the manufactured homes, even when you buy them new at the \$120,000, they're still very affordable. The ones that I'm able to pick up, the used ones that are already set up on land, they're going to be \$70,000 or less.

David: So the kind of mobile homes that you invest in are on land, there on typically what, about a couple acres, correct?

Glenn: The smallest I'd say is a half-acre, yeah, one to two acre tracts. That's the most common ones that I buy.

David: Are they scattered around here or there? Or are there actual subdivisions or communities of these mobile homes like you would find a stick-built subdivision? How are they laid out typically?

Glenn: Yes, most of them are in subdivisions. Some of them are off in a platted area. But most of them are in nice developed mobile home subdivisions, they look nice. Like I say, we make sure that we buy a good quality home. It's

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got to be a good-quality home and on a good piece of land, in a good neighborhood.

David: Because if they're going to be FHA-financeable, there are certain underwriting standards that FHA has for any property they're going to underwrite. So you have to have the infrastructure for these communities, has to be there. They've got roads, right? They've got utilities, yes?

Glenn: Oh, absolutely.

David: Yeah, I just want to make sure our listeners have the right picture that people aren't like lugging water to the house or something like that.

[Laughter]

Glenn: It's quite a bit more advanced than that.

David: Okay. All right. Now, let's talk from an investment standpoint, what would be a double wide today? Tell us about configuration. How many bedrooms and bathrooms and square footage, kind of an average or standard.

Glenn: Yeah, the range that I like to do is anywhere—probably the small end is going to be 1,400 square feet to 2,200 square feet. I'd say the average, somewhere around 1,700, 1,800 square feet. Three or four bedrooms, I don't like to do two bedrooms. I like to make sure that I've got enough room for a family and so forth.

David: Right.

Glenn: But that's the typical property I buy. The all-in price is going to be anywhere between \$50,000 and \$70,000. When I say all-in price, that's the acquisition costs plus the rehab.

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David: Okay. Are you buying these properties like from prior owners who just want to move or get out? Or are you buying these from the banks?

Glenn: A little bit of everything. I'm marketing, I buy HUD foreclosures, Fannies, Freddie's, sometimes we can pick them off of the MLS list. Then we advertise and market quite a bit. We buy quite a few from owners too.

David: Now because manufactured homes are standardized so much in their construction today, I mean, they have specific standards as you mentioned earlier. Does that make it easier for you and your crews to actually do the rehabs because there's not so much variance? Or how does that work?

Glenn: Without question, yeah. One of the neat things is as you know on the sticks and bricks houses, you can have major foundation problems. And you can spend a lot of money on foundations. With manufactured homes, they are on a FHA-financeable foundation but they're concrete runners. The frame is tied into the concrete. You just pull the skirting up, it's real easy to get to underneath to fix water leaks. You don't have all the issues with fixing plumbing.

Pretty much, we've got a cookie cutter method. We've got the right colors and we do texture, we paint every house. We put the same beige color carpet with the wood grain lino in it. Yeah, they're very easy to work on and that's a real plus of what we do.

David: So a 1,400 to 2,200 square feet, that's right in the range of any investment house that one would want to buy today with three or four bedrooms. I mean, that's the perfect family size. As you said, that's what we want to

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attract. So what are rents like? Are rents quite a bit less than what you'd get for a similar size stick-built house?

Glenn: Usually they're going to be somewhere between \$200-\$300 less than a sticks and brick house. As you know, we're fortunate here in north Texas. They say in the Dallas-Fort Worth area, there's 3,000 people a week moving here. In the last year, rents have gone up pretty close to \$150 to \$200 a month. I'll just give you the range. On the smaller houses, we're probably getting \$995 right now and on the bigger houses, we're getting \$1,295 for rents. So the numbers work out fantastic.

David: So if you, as you said, if you're all-in with your acquisition and rehab—and rehab, we'll talk about that in a minute again a little bit—but I know that one thing that you have developed in your business is you have a great contractor team that goes out and you do it right. You replace whatever mechanicals need to be done. You make sure the house looks really good.

So you're getting \$995 to \$1,295. You're all in with your rehab and your acquisition costs of \$50,000 to \$70,000. That's a heck of a lot better return than one can get on the same size stick-built. Because stick-built today, that size house, and again, in the same area in north Texas, you're going to be at least \$30,000, \$40,000, \$50,000 more to buy a stick-built house even on a good deal. Basics, right?

Glenn: Right, absolutely.

David: Yeah, so your returns are quite a bit better and that's kind of why you're talking about mobile homes investing as one of the best-kept secrets. What draws your tenants? What makes them want to live in a mobile home on a

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couple acres as opposed to living in town? Is it a different kind of family or head of household? What's the characteristics would you say?

Glenn: You know, I really think that we're getting the same quality tenant that the sticks and brick people do. The realtors that I use to help me to lease the properties out, that's what they're telling me. I'm getting people now with six-figure incomes. You look at it that if you're in town with a zero-lot-line house or zero-lot-line piece of property, a lot of parents don't want that. They want their kids to have an acre or two acres of land to play.

Plus when you go out into the counties, the Dallas and Fort Worth school districts, a lot of people would say they're not the best and the school districts are better out in the counties. So that's a big plus. In a lot of cases, and plus like I say, they get more square footage for their rent dollar. They get more square footage for their rent dollar so we have no problem finding tenants right now. It's very easy and like I say, because of the growth here in the Dallas Fort Worth area I think there is a shortage of housing and of course that helps too.

David: You and I both know there's a wide proliferation of mobile homes on land because we've got so much land in Texas and as you said, people love having land. So many people love having the land so mobile homes on a couple acres or more, it's very prevalent. What about other parts of the country? Are there pockets of this, so people know kind of—if they haven't seen communities like this, where else would you find them?

Glenn: Absolutely. You know, of course, Texas, the whole state of Texas is a great mobile home state, so is North Carolina, so is Tennessee, so is South Carolina, there's

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places in Florida. More of the northern cities, not so much. That's where you'll find mobile home parks but yeah there's pockets throughout the country that my model would work great in, it would work great in.

David: So Glenn, I think people should realize too that when you talked about Clayton Homes—you worked with Clayton for a number of years, who's that well-known investor that bought up Clayton Homes just a few years back?

Glenn: My ex-partner, Warren Buffet.

David: Yeah, Warren Buffet. Yeah, good ole Warren. You know, Warren's a savvy guy. I heard him just a few years ago, it was right after the credit and housing downturn that we had back in 2008, 2009. Warren was out there in the press and everything and he said, "You know, if I could buy up a thousand single family houses in this country," he goes, "I'd go do it because it's such a great play." Then he turns around and six months later what's he doing? He's buying up all these real estate brokerages.

So I'm going, you know, he puts his money where his mouth is. Well he did the same thing in the manufactured housing industry. Warren, if you don't know Warren, he's the guy that you watch him and he knows where the value plays are. That's what he does. He buys businesses or buys into industries where he knows there's a huge value play. Well, follow Warren because he understands what he's doing. He's made great investments and he loves the manufactured housing industry, doesn't he?

Glenn: He absolutely does. That's a key point right there, David. I really feel that the manufactured housing industry is recession proof. The model works great in all markets but usually when there is a reset or recession, whatever you

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want to call it, that's when like I say affordable housing is really in demand. So that's why I love the space and that's actually why Warren Buffet loves the space too.

David: Yeah, very good. So once you buy a property as an investment it needs to have, typically it always has to have some kind of rehab. What's your rehab costs usually range? I know it's going to depend because some properties are in better shape than others, but what's a range?

Glenn: If I was going to put an average on it, I'm going to say somewhere between \$10,000 and \$15,000. That's probably they typical range. Because like I say, we want to go in there and fix it up like new. Our philosophy is never give a tenant a reason to say no to leasing the property.

So we always want fresh paint, fresh carpet, new skirting, decks, we put a new air conditioner in it. So that's the typical. Sometimes a house may not need that much but other times I've had some that have been \$25,000 and \$30,000. I'd say the range is probably going to be around \$10,000 to \$15,000 is the normal rehab cost.

David: Now a lot of people don't realize that finding good properties to invest in today, whether it's stick-built or mobile homes as you do, finding those good deals is not so easy. Maybe back right after the downturn it was, but today it's a highly competitive market. There's lots of people who want to get their money invested quote/unquote into some kind of real estate, right?

So we know that it takes a lot of work. It takes a team effort to really know where the channels are, the leads to get access to these deals. You've got a whole team.

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You've built up—I've watched you over the last half a dozen years. You have really scaled up your team. Talk a little bit about having a team, why it's important, what you kind of learned in building up your team to where you are today.

Glenn: Well I've always heard it said, I mean any business, but building a real estate business is a team sport. You're right, I have a fantastic team. I've got Terri, who does my books and she does my QuickBooks and she's phenomenal. Mike is my acquisition guy. He does the marketing. He looks at the properties, gets all the information to me and then we make the decision on buying the property. Michelle, she's a licensed realtor. She's my full-time property manager.

Currently, we're pushing 75 properties right now and I just have a phenomenal team, David. Yeah, I want thank you. I'll tell you what, I was part of your charter group and the first book you gave us was *The E-Myth* and that book literally changed my business life. It made me realize that I needed to put those pieces in place instead of doing it myself. It's a good feeling when you can travel, go places, and you know that things are being handled when you're not there.

David: Well, Glenn, you've taken things and really done a great job. In full disclosure to our listeners, not only do I like Glenn but I also invest with Glenn. So I also put my money where my mouth is because I truly believe in that investment class. Glenn, over the years, I've added mobile homes on a couple acres to my portfolio. Here or there, here or there, you know. I'm not like focused on it like a niche like you do so well, but I've had them.

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So I knew the value but when I came across Glenn and connected with him some years ago, it was a no-brainer for me to say look, this guy, Glenn, has got the team that really has it down. I mean, really has it down. Either I can go out and try like heck to duplicate what Glenn has, which I could try to do. But why don't I just focus on what I do well and invest my money with someone like Glenn when I want to be in that affordable housing market, which I do. I want to be diversified.

So Glenn, I'm kind of opening things up here a little bit. But as long as you promise to always give me first priority, is it okay if we tell people how to contact you?

[Laughter]

We're giving away the best-kept secret. Here I am divulging it to you all across the country. But as long as I still get priority, how can people reach you if they want more information?

Glenn: Feel free to call me. My number is (817) 966-1258. My website is [www.StrombergInvestmentGroup.com](http://www.StrombergInvestmentGroup.com) and my email is my name, [GlennStromberg@sbcglobal.net](mailto:GlennStromberg@sbcglobal.net).

David: The website, they can get a lot of information on your website which is [www.StrombergInvestmentGroup.com](http://www.StrombergInvestmentGroup.com). That's Stromberg Investment Group dot com, a lot of information there.

I know, Glenn, you do work with a lot of investors because private capital is what drives our ability to invest in more properties. You've got the product, you've got the team, and you do work with a lot of private investors, both from a lending standpoint, investors who want to take their IRAs, and they want to have a lending model and

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lend it against good, solid property like your mobile home industry.

Or you've also got a turnkey model, if people want to actually own a property and have you provide the management, you do it soup to nuts. You've got the property, you rehab it, you put the tenant in place, you manage it for them, you've got both sides of that equation, correct?

Glenn: Absolutely. And like I say, I always want to tell my investors, "The only job you have is to go to your mailbox and get the check or check your IRA statement to see if the money hits your account. Outside of that, we do the rest of it."

David: Okay. Well again, great information. I wanted to bring this to a lot of our listeners today. But Glenn actually, he does give first priority to Freedom Founders members.

Glenn: Without question. And I want to say this: It's been a real honor and a privilege to be part of the group. It's just been such a neat business model, how we can structure win-win situations. I've got so many good friends in the Freedom Founders group and it's just neat because we make money together. We have fun. It's been a great experience for me.

David: Well everybody wants to make good investments today, right? And so many people want to be involved in real estate but it's a little bit unwieldy if you've never been there. If you have a busy business or professional practice, we found it's so much more successful for people to connect with other people like you, Glenn, who already have an awesome business model and just invest with you.

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I'd say ride piggyback with other people that have already made it happen because that's the easy way. You've been there. You've done it. You don't make mistakes. I'm a lot more secure investing my money with you than if I go out and try to get my own realtor and figure it out on my own. We don't have that kind of time on our hands to foul it up or take missteps in our lives anymore.

Glenn: Well thank you, David. I appreciate the kind words and, yeah, I agree with everything you said. It's been, like I say, the Freedom Founders group, I can't say enough good things. I've told you before, it's put my business on steroids. Just the brain power in that room always blows me away.

What has it been, four years now? I never leave a meeting without getting something, an aha moment, a nugget, that I can take back and enhance my business. So I really appreciate the job you've done and the group you've put together, a bunch of high-quality, high-integrity people. It's just great to be part of the group.

David: Well you're one of those kinds of guys that you take the idea and you put it into action, Glenn. So all the credit to you. Well thank you again, Glenn Stromberg, for being on the call today. I look forward to seeing you again very very soon.

Glenn: My pleasure, David, thank you very much.

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