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I cover the growing wave of one-person businesses and their ecosystem

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This Entrepreneur Built A Million-Dollar Business On Small Investments In Local Real Estate

Working as a financial advisor in San Francisco after college, Cory Binsfield had an epiphany on the Golden Gate Bridge: "It was the middle of the afternoon," he says. "Traffic was so backed up I could barely move. I said, `What am I doing here? It's beautiful but I'm tied up in traffic.'"

Binsfield had never imagined moving back to his hometown of Duluth, Minn., a city of about 85,000 people on the shores of Lake Superior, near Canada. Compared to San Francisco, it seemed like a small town. "I was young and ambitious," he says.

But getting free from the crowding of big-city life now seemed urgent. A day after the traffic jam, he phoned his father to say he was moving back to Duluth—a decision that, unbeknownst to him, would enable him to build a million-dollar microbusiness.

It was while establishing his practice in Duluth, that Binsfield noticed a phenomenon that would allow him to multiply his income exponentially. Among his self-employed clients, he found, those who were in a good position to retire often had one thing in common: rental income.

"The ones that owned the building or had real estate were saying, `Hey, I'm moving to Florida'" he says. And he noticed that those who had been planning on selling their business but did *not* own property often found that their plan did not pan out because of health issues, divorce and other unexpected events.

Shocked at how low real estate prices in Duluth were, relative to California, Binsfield saw an opportunity in front of him and decided to try real estate investing. "If these guys can do it, I can do it, too," he told himself. He bought his first property in 1998, four years after moving back to his hometown. On that deal, and others to follow, he took the advice of a wealthy almond farmer he'd known in California, which was essentially to hack his housing. "Always make money while living in your house," the farmer had told him. Binsfield bought a triplex.

Now, at age 51, Binsfield owns 97 units. His real estate business, where he owns properties from duplexes to apartment buildings, brings in more than $1 million in annual revenue, he says.

That's not easy to pull off. To give you an idea of how few ultra-lean businesses are accomplishing similar things in the estate, rental and leasing field, only 2,067 of the 2.4 million nonemployer firms in this category hit 1 million to $2.49 million in revenue in 2013—which was the highest revenue category for these businesses. Nonemployer firms are those with no employees other than the owners. Binsfield's business is only slightly larger, with one administrative assistant shared with his financial advisor practice, where there is a lot of paperwork, so I think it offers a good example of what is possible in an ultra-lean business.

And I believe we're likely to see many more businesses like his breaking $1 million, as more people realize it's possible. According to the Census Bureau, there were 30,174 nonemployer firms that brought in $1 million to $2.49 million in 2013, up from 29,494 in 2012 and 26,755 in 2011.

So how did Binsfield manage to buy 97 units? He didn't have a lot of money to invest at first. "I moved here dead broke after living in San Francisco," he recalls. And his financial-advisor practice was growing very slowly. "I was lucky if I made $50,000 in a given year," he recalls. He had good credit but found that banks were leery of lending to the self-employed. To buy his first property, he negotiated financing from the seller. After that, he built enough of a track record to borrow from banks.

One key part of Binsfield's plan was setting clear goals—an area where his financial background no doubt helped. "I had it mapped out: Buy 10 duplexes—10 two-families and I could easily be a millionaire," he says. "I hit that target within eight or nine years. After that, I was like, `Now what?' I said, `This is kind of fun. I'll keep doing it.'" He'd achieved $1 million in net worth by 2004.

He also stuck with investing in areas he knew. He kept all of his investments in what he calls his "strike zone."

"What I discovered was if you picked an area in town that was desirable and was within transportation and biking distance to work—with a lot of activity in terms of ethnic restaurants and shopping areas—you start attracting a lot more millennials and college kids," he says. "I pretty much focused on areas near the campus and not far away but that weren't too high priced."

Staying local helped him manage his real estate while running his other business. He could easily run out at lunchtime and do a showing. "All of my buildings were about a mile and a half between work and my house," he says. All told, he found it took him about an hour a month to manage 10 units.

"I thought I if I can manage 10 units in an hour a month, let's bring that up to 100 units," he says.

Another smart move was outsourcing the property management. Binsfield handled light repairs himself for a while before but says he isn't mechanically inclined. He soon found a reliable contractor to tackle the work. Investing in property management software made it easier to field requests from tenants and send them off to the contractor. "I'm like the conductor to the orchestra," he says.

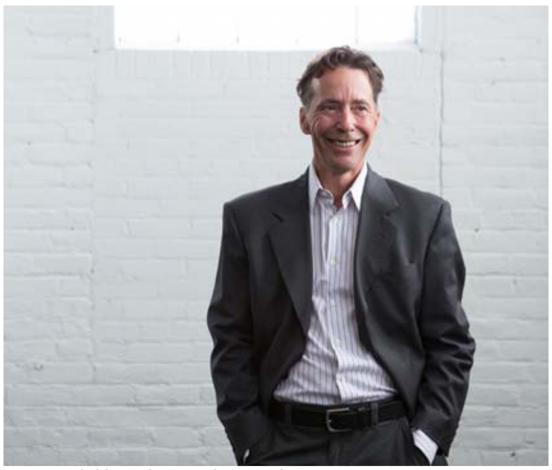
Although Binsfield invests in local properties, his business is almost location independent. Having taken his office paperless several years ago, keeps his records about his properties in the cloud, so he can access them from anywhere by phone or iPad. He realized just how smoothly the system worked when he was in Mexico and he got a text message saying the garage at one of his properties was burning. "I knew the exact garage and sent a Google voice messag handyman," he recalls. "A half hour later, it's taken care of."

Not everything went smoothly in Binsfield's business. He initially set up his real estate ventures in a corporation, after getting what he says is bad advice, but found that it was expensive to maintain that type of entity and then reestablished it as an LLC. “There’s a hassle factor,” he says of corporations. Plus, there’s more paperwork, which leads to high accounting fees, he says.

But he learned from that experience and kept forging ahead, buying one more property every time he could.

What advice does Binsfield have for others who want to generate an income like his from real estate? Start small.

“Anyone can buy one property,” he says. “Once you buy that first one, two or three years later you buy the second.” You may not end up owning 97 units, like he does, but if you buy in the right market, you should be ahead of the game.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