

Episode #46
Creating and Demonstrating Balance and
Power in Your Life for Maximum Investment Returns
August 20, 2008

Good Morning and welcome to Income Property Investment Talk with host Peter Mosca and co-host Dean Essa. Together they will help you make smart investments in real estate. Now here are your hosts, Peter and Dean.

Mosca: Real estate, if purchased well continues to be the single best investment one can make. Welcome to Income Property Investment Talk, a program dedicated to providing investors eager to invest well in real estate, with the knowledge, the resources and the tools to generate increased wealth. Each week we bring the powerhouses of commercial and residential real estate to our program for you to learn from and to call at 1-866-472-5790 or for those of you who have downloaded our radio reminder, remember you can shoot us out an instant message as we're going through the program today. My name is Peter Mosca and my co-host is one of those commercial real estate powerhouses, Dean Essa.

Essa: How are you Peter?

Mosca: I'm doing well Dean. Today we're going to have a terrific program. We have someone on the show who from his early childhood has trained in many different disciplines, both esoteric and contemporary. He's going to bring his real estate investment knowledge today, but he's also bringing a passion. He's passionate about teaching and living the path of *Huna*, the ancient science of consciousness and energy healing of the Hawaiian Islands. His name is Dr. Matthew James. He's here on the show today. Dr. James, welcome to Income Property Investment Talk.

James: Peter, thank you very much for having me on the show.

Mosca: Matthew, now we agreed that Matthew would be okay for today's show right?

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James: Yes.

Mosca: I don't want to let the listeners think that I'm overstepping that appropriate Dr. Matthew B. James. Talk to us a little bit about *huna*. Of all the systems that you've studied you have said that *huna* is the most complete, what does that mean?

James: Well, there was less of a break between the ancient practices and the modern expression of *huna*. There wasn't as much Western influence that interrupted the previous or the incarnation of it prior to the first visitors coming here. There is a complete system in place that's here and what I carry is a fourth-generation lineage of *huna* that was taught to my father. I've carried it on not just in what I teach in what I practice including the real estate.

Essa: I read somewhere where you actually started meditating at five years old. Is that true?

James: I did. I was very interested in meditation for some reason. I noticed that in the morning my father would sit there in this one state, this pose and his eyes would be closed and I always wondered what is he doing. I finally got around to asking my mom about this and begged her to teach me. She got permission to do that and I started meditating when I was five years old.

Mosca: In terms of meditation, in terms of just in general society today, it's rather unfortunate that we've gotten to a point right now where if you were to have a conversation whether you're at the water cooler or you happen to have a particular cocktail in the afternoon or generally anywhere where people gather and discuss even online for that matter, if you mention the word spiritual all of a sudden somehow,

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somewhere for whatever reason it has turned into a negative. People hear that word and right away they tune out and there are a number of reasons for that. How do you define spiritual and do you consider *huna* to be a religion?

James: No. First of all I want to make sure that, that's a major question that I get, is *huna* a religion. No, *huna* was the psychology in ancient Hawaii and it really looked a lot about, it looked into energy. It looked at the energy that you have, how can you think and feel in such a way that it promotes the best physical expression you can have.

Essa: Did it dovetail into your current belief structure?

James: That's an absolute fact for sure. I've had people of different faiths, we've had people who are devout Mormon, people who are Baptist, come and take the trainings and incorporate the teachings into what they do.

Essa: You said trainings; can you tell us a little bit about that?

James: Sure, I teach thousands of people all around the planet. I do weekend trainings, introductory trainings, trainings that are mainly about how to think, the mental aspect, the emotional aspect, and the ones that are a little bit more spiritual. The *Huna* trainings or workshops are only done in March and September here over in the islands of Hawaii and Kona. You said the word spiritual and I agree. I have some people who have begun to say if it's not a religion and it's a spiritual teaching, why do I need anything called spiritual? The Hawaiians were pretty flexible though with their language. It only had seven consonants and the five vowels so words were pretty vague and ambiguous. Spirituality isn't the best word I would use. There isn't really a good English word. I would say it's the teaching of how to think and feel in order to create the best physical expression you have.

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In addition to thinking and feeling this thing called energy or collective consciousness or tapping into your gut, whatever you want to call it, higher self, whatever label you would use that would be okay. It's really a lot of focusing on the energy, the aspect of how do I wake up and be in control of my energy.

Mosca: What we try to do here today and we appreciate again that you're on the air with us number one, number two I know it's about five o'clock in the morning where you are right now so again thank you so much for joining us here today on Income Property Investment Talk. What I want to try to do now is tie it into real estate investing for a minute. When you talk about the energy, you talk about thinking, does this help in terms of getting off the fence, in terms of making the right decisions? In other words, what does it mean when you talk about becoming an independent self-transformer? Does that help you to make better business decisions? I'm assuming that it helps you to make better personal decisions, but does that help you make better professional decisions as well?

James: It definitely does help you make better business decisions as well. One of the seminars that I started teaching because of the economic times is called "*Huna* and Prosperity". The ancient people here believed that the word success and spiritual success included you being successful on the physical level, which would include money. In the modern days we would use this thing called money that we all need in order to buy our groceries, to purchase our next property, and I have people that come to me, they come to these trainings that I teach and they walk in thinking money is this evil thing, if I want to be spiritual I can't have money. In fact the majority of people that are out there that are either spiritual have become very successful and the people that are very successful tend

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to get a bigger view and want to do something bigger for the planet. Take Bill Gates for example, gone from Microsoft to wanting to make a difference in education and really make a difference on the planet. I believe the two are linked together and the thing that *huna* really teaches is that the mental aspect of who you are while it is important and while in Western thinking we have elevated it to the highest level, that if you're a critical thinker that you are the most intelligent person, *huna* says you also have to learn how to balance that with trusting your gut. At some point you know enough information that you get this gut feeling based on everything you know that you should do something and even against everyone else's belief you should go ahead and do it. *Huna* teaches you to trust that and the most successful people that I've worked with and taught do that.

Essa: Our target audience or should I say our primary demographic is real estate investors and realtors. What would be a good first step, here I am I'm a realtor or I'm a real estate investor and I'm sitting here listening to this, everyone knows this is a real estate show and every once in a while we get so blessed to have someone like you on to help us to become more well rounded and help us with our perspective. What would you say would be a good first step for a listener to understand *huna* and applying it?

James: I think one of the really good first steps is that you have to take into account that there is an aspect of who you are that contains or maintains all of the information that you know. In modern labels we call it the unconscious mind, the subconscious. In ancient times they referred to it beyond that, they said it was your gut. *Huna* teaches that it is your instinct that occurs from the gut and from your heart.

Essa: Is that what you referred to on your website as the higher conscious?

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James: The higher conscious mind would be tapping into that word called spirituality or some people referred to it as the energy. It's learning how to harness that energy or *huna* would call it *mana*, in order to have it flow through your gut. So, what is one of the first steps that you can do? Well, I kind of woke up one day and I had no money. I had just gotten out of a relationship, I had no money in my bank account, I had some money in my 401(k), I had been doing seminars and trainings for years, and I said how could I have gotten to this point. I realized that in looking at everyone I knew in this business that to be successful I had to do something with my income and so I studied real estate. I found that some of the most successful people that I had taught created their wealth in real estate. I had gotten into a new relationship and we were considering getting married and I said to her we have enough money I could either buy you a ring or buy you a house.

What do you want to do? And she said I want to buy a house. We took everything we had and I had done all of the research, I learned the market, I learned the trends, I looked at the 10 year, the 20-year trend here in Hawaii, I was looking at everything, and I found this one property and my gut was screaming buy it, you've got to get this. Everyone said no, my father, my mom, my friends, and my other family members. Even my real estate agent was saying you're nuts, this property is too high, it's in an area that we're not sure about, but my gut knew that this was the house that I wanted. I had done all of the research already; it wasn't time to think about it anymore. I put all of my money into this place and it tripled in value. We ended up selling it for just under \$1 million, took that equity, and from there we've bought and sold enough properties that were up into the double digits of properties and we've gone into commercial. So now I've looked back at

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that and said what did I do? I did exactly what the most successful people did was that once you've gathered enough information, it's time for you to really just trust your instinct as to what you should or shouldn't do.

Mosca: And your instincts have proved you to be right most of the time. I mean I'm thinking that you probably can't be successful 100% of the time but ultimately if you trust your instinct then your saying that most of the time you're going to be moving down the right path.

James: I would say that you need to definitely do your homework. There's no doubt in that. *Huna* teaches you that you do need to study and know what it is that you're dealing with. You need to understand real estate and the marketplace. I love the example of Sam Walton and whether you like or dislike Wal-Mart, the success that he has created that's what I'm really focusing in on here. A lot of stories that I heard when he came here to Honolulu was that he went around the island...

Mosca: Matthew, if I can because we're coming up on a break in about 30 seconds. Let me just ask you to hold that story about Sam Walton when we get back from this short break. Please stay tuned. If you want give us a call, remember 1-866-472-5790. If you go to radioremind.com, you download the software you can IM us immediately with a question. We'll be back shortly with Dr. Matthew James to talk more about real estate investing and the Hawaiian concept we call *huna*.

BREAK

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Mosca: You are hearing Dr. Matthew B. James, successful real estate investor and teacher and living the path of *huna*. Matthew you were talking about Sam Walton over at Wal-Mart before we cut for break. Would you like to continue that story please?

James: Absolutely, thank you. Sometimes I bring this up and some people in the audience go well we don't like Sam Walton, he destroyed our town. I say okay hang on to that feeling if you need to and let's just look at his success for a second. He came here to Honolulu and he's been doing this for a while, he knows where to pick a location, he knows how to think about setting up a Wal-Mart, a Sam's Club, he knows exactly what he needs to do, and he's done all of the research. In fact psychological studies have shown that of who we are, this 100% of who we are in consciousness, only 10% of it is our conscious mind that aspect that is our critical thinking there in the moment. This other 90%, and it depends on the study, it ranges anywhere from about 80 to 90% in some of these studies, 80 to 90% of who we are is more unconscious. It's where our memories are stored, where our knowledge is stored. He came here to Honolulu knowing everything that he knows, he took a quick look around, gathered a little bit of information because the Hawaiian market is a little bit different, and he said I want to put the Wal-Mart over there and he pointed at this place right near a shopping center but tucked away. Everyone told him you can't put it there, everything that we've put there has been unsuccessful and I know growing up here I can name everything else that has gone in there that just

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absolutely bombed. He said no, we'll put it here, we'll put the parking lot here, the facility here, we'll redesign the street that's going around, and they'll enter from over here. He did all of this and it ended up being one of the most successful Wal-Mart's until he started opening a few more around the planet. How did he do that? He went against everything else that everyone was saying. He trusted his gut. In trusting the gut it doesn't mean walking into a situation with no knowledge and going I feel like I should do this. I've talked to people who have made bad mistakes because they haven't gathered enough information.

Mosca: I couldn't agree with you more. A couple of things on what you just said, first and foremost with the knowledge, that's what we say at the beginning of every one of our programs is we want to try to help present you with the knowledge so you can invest well in real estate. Really, that's the mainstay of the company that sponsors this show, RealSource. RealSource in Salt Lake City is the company that has an entire economics department. They have economists there on staff that do nothing but analyze the 360 plus MSAs across the country. I go out and do location-investing seminars and a great part of that is explaining to real estate investors and potential investors how important it is to understand markets and market disciplines. We couldn't agree with you more on this program, Matthew that research and knowledge go hand in hand with that gut instinct to make the decision.

James: Absolutely. You can't just walk in without any knowledge and say I'm going to leave it all to my gut. When I teach people this technique in my *huna* trainings I say to them, I say trusting your gut doesn't negate the conscious mind. This is because in

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Western thinking the pendulum swung so far in one direction where we were ignoring the emotion. For while we were denying that the emotions affect the physical body. I remember people would argue with me 10 years ago that stress affects the physical body. Now we know it does. The reason why we trust the gut to create our physical resources is because the mental trickles down to the emotional and the emotional trickles down to the physical. The emotional body, the emotional aspect of who you are is related to your gut instincts. It's related to your memories and your knowledge.

Essa: The other day, I don't know if this ties into what you're saying but the other day I was in a transaction where I represented the seller and we had this property listed for 1.55 million and they came in for 1.45. Well, my client counters back at full price, 1.55 and then he said I also want you to pay all of my closing costs. When he asked me to put that on the counteroffer, I immediately and my partner sitting there, we immediately got this gut feeling like that's not right. Something just didn't feel right about it but we were so busy and in the moment trying to get something done that we let it go. Then we submitted the counter and then we had to spend till 10 o'clock last night trying to save the deal because of how the buyer received that. He thought that the seller was selfish, he thought that it wasn't even the money it was the principle. Is that an example where we should've just, we know our business but that was a thing where it could have gone either way but our gut was telling us this wasn't right.

James: That's exactly it. Sometimes your gut will just start screaming out something just like that. I shouldn't do this, I should tell my client that we should or shouldn't do this, or this is a great offer. I work with a woman here in the islands that is a powerhouse real

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estate broker and I started telling her if your gut tells you something tell me. We walked into a house once and I said I think this would be a good investment and I looked at her and she had this look on her face and I'm like spill it out, say it. She said I don't think so, here's why, bang, bang, bang. Sure enough within a couple of months that area started doing awful and I said to her you've got to tell me these things because as much knowledge as I have you know more. You are the real estate agent I'm not. I said you know more than I do. If I've gathered enough information but I'm still going to rely on you. She said sometimes I just don't feel right about a purchase I want to tell this to my clients. I said that's exactly what you should do. She started doing that and she went from number two in all of the islands to number one virtually overnight. Her clients were getting better results and it was because she had enough knowledge that she had to begin trusting her gut.

Mosca: Now Matthew, I know you said earlier that you go across the globe giving presentations, doing workshops, helping people to understand the concepts within *huna* and how they can make you or help to make you better personally and professionally. I'm going to play the devil's advocate so to speak on this one. What do you say, because I know you must come up against this probably every single location you go to, the cynic out there, the person who says this is, and maybe it only happens throughout the United States, I'm not sure how others think around the world because I don't have experience with the global community, I have experienced the US. But what do you say to people who are the cynics, the people who say come on Matthew this is all just mumbo-jumbo?

James: The word that I usually get is woo hoo.

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Mosca: Woo hoo?

James: Yes, woo hoo. I don't know, in the US they use the word woo hoo. This is all just woo hoo. And I say that's fine. If you want to believe that that's fine. If you look at the people who get the best results and by the way having grown-up meditating and studying *huna* I went back and I got degrees in solid Western thinking. My background is in, I have a Masters in business, my doctorate in psychology, and so I really looked at how do you think, how do you create success in your life based on Western thinking and using these ancient principles because obviously we've learned the mind doesn't control everything. I've taught some of the people that are out there teaching the law of attraction and yes, you need to have positive thinking, I teach positive thinking. It's not the first thing you do because if you just sit on your couch and say I want more money it's not going to magically appear. You have to go out there and do something. So the people that come into the trainings and say that, I look at them and I say that would be the equivalent of saying I'm just this walking body that is a bunch of wires connected to each other and if I just get the right program I'll be able to create the best results. I don't have to worry about my emotions or my thinking or my focus or anything else. I don't care what you call it, you can call it *huna* you can call it psychology; the principles that are being taught are what's most important.

Essa: On that note, I know that a lot of the seminars are being offered all over the country that get you fired up and then you come home and crash. I understand you guys have figured out a way to actually build a strong foundation so that these things cannot only continue but actually be built upon.

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James: I took over the business from my father well over 10 years ago and I have been doing this since I was five. We opened in '82. You mentioned Salt Lake City. The only reason why I'm bringing this up is that we've gone in and helped out with people in Salt Lake City. My father went in and taught the owners of Mountain State Mortgage over there and J.R. Bills who owns Mountain State Mortgage, her net worth went from \$5-\$50,000,000 after we went in. We went in after that again and again to help teach her and the people that run the company how to create the right thinking for success. That's what we really looked at, thinking for success. So we've gone around and we found that this is extremely successful. The way we avoid this huge motivational teaching atmosphere is that I limit the trainings. I found when I was teaching 200, 400 people in one training that it really wasn't getting the results. So, we limit our trainings to 50 people and it's much more interactive and I'm less interested in whether or not you are pumped up and motivated at the end in comparison to walk out with specific tools of how to think and set goals.

Mosca: What are some of those tools? How do you go about doing that?

James: I think people in addition to needing to learn how to think and become a lot more focused in their life and learn how to trust the gut, one of the other things that people need to do is they need to begin to have a reason why they're doing what they're doing.

Huna teaches that you need to have a purpose and that the purpose or the word why from an English perspective, *huna* teaches that that brings in your energy or your motivation in order for you to accomplish what you're accomplishing. I found that the most successful people, they don't tend to focus on money. I worked with a guy whose net worth is well

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over \$500 million and I said to him did you ever focus on money? He said no, I focused on wealth and prosperity and I focused on what is the result that I'm looking for and a part of that result is me becoming wealthy and prosperous. That flows from your purpose. You need to know your purpose.

Mosca: Dr. James making a lot of sense here. When we get back from this short break we are going to talk more about purpose, we are going to talk more about focus, and get into more of his real estate investment experience and how well he's been doing on the islands. Stay tuned.

BREAK

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Matthew, let's switch over to earlier you talked about how you invest in real estate that you decided that real estate was the way to generate wealth. Obviously, we agree with that and again we see the beginning of the program we're here to help people learn to invest well in real estate. What convinced you or what knowledge, what gut instinct convinced you that real estate was the way to generate some wealth outside of your workshops and seminars to enhance people professionally and personally through *huna*?

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James: Working one-on-one with people and of the hundreds of thousands of people that I've met in my seminars and trainings around the world, I've gotten to work with people that have a lot of money available to them. With a few exceptions, most of these people built their wealth or maintained their wealth with real estate. Owning land, owning property is clearly a foundation for building huge wealth in your life. One of the things that I found was that they really focused in on why they're doing what they're doing. They tie it into a purpose and they see it as being a lot bigger than just I'm buying a property or wanting to make money. One person that I worked with, he absolutely said that when you go into buy a property you have to visualize and really see in your mind that you could be in this property and you could be in it for 10, 15 years. Being in it doesn't mean living in it, being in it means that you need to see it as a part of your long-term plan. Then he said you have to look at external trends to then help you make course corrections along the plan, along your path. So, you buy a property, the market changes, if it's better to sell it, you sell it, if it's better to keep it, you keep it. What he said is that the way you build wealth is you find your purpose, why are you doing what you're doing and you pour your energy into that. Your purpose needs to include a long-term plan and then the short-term plans are dictated by this long-term purpose.

Essa: We have done seminars, especially all over southern and northern California and the broker that we use, the CCIM broker, you just brought back a memory because she used to stand up and talk about the why. She used to say we can teach you all the who, where, and when, but you have to know the why. Everyone in this room is going to have a different motivation and then she showed a picture of her sailboat, I don't know how big

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it was but it's out in the Channel Islands. She used to talk about that one of these days I'm going to sail around the world and I'm going to have my web cam so that everyone can talk to me and communicate with me as I go around the world. She would say everyone in this room is going to have a different why but you have to have the why and I think that kind of ties in to what you're saying.

James: That's exactly it. This person named Papa Brea, we carry a *huna* lineage that was from the Brea family, which was a well-known Kahuna in the Island of Hawaii, and so this is where it brings in the more spiritual aspect of it. Papa Brea the son of the great Kahuna Daddy Brea in Kona when he was teaching this to my father he said in life you have to have a purpose and without a purpose you're literally like a boat that goes out to sea with no direction and then you complain that the waves hit you from left to right.

With a purpose, with a why, you have a direction and he said you're never going to sail the exact same way, you're never going to get to the island in the same way that you did last time, the water is always going to be different. The winds will be different, the weather will be different, he said but you need to have a direction and purpose. A student last year came to my summer trainings and he walked up to me and the very first thing he said to me is why am I here. I said that's one of the most important questions, you need to figure that out. He was borrowing money to be there, he had no idea how he was going to make it through all of the trainings, he begged, borrowed and did everything he could in order to get into these seminars. Last May, just a few months ago he made \$11,000 in that one month and he e-mailed me and said I'm only scratching the surface and he said that everything flowed from the fact that I focused on finding out why I'm doing what I'm

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doing not just in business but in the total aspect of who he is. He's living his life now and finding that success is easy when you have a direction.

Mosca: I tell you, I think this is the answer. Earlier I talked to, I asked you about that cynic that comes into your workshops wherever you're doing them. I know we get them when we do real estate investing workshops. What we run up against is the fact that there are these infomercials on television and whomever the talking head is on always says you can make \$1 million without spending a nickel of your own money. That's what we run up against is trying to tell people no, that's not going to happen that way. You really need to have the relationships, you need to have the knowledge, and you need to have the research. I'm thinking that all these success stories that you're speaking of all of these people have figured out that it's a combination not only of being better professionally but being better personally. It seems like the *huna* teaching that you're speaking about here today Matthew helps people reach that goal.

James: Absolutely. There are aspects of what I teach where you have to let go of baggage that you have. You've got to let go of what *huna* would refer to as black bags. If you have fear, if you have fear of even putting any money out there in real estate then that fear could prevent you from taking action and taking advantage of a wonderful market. A dear friend of mine who had a lot more money than I did at the time when I bought my house, she literally said to me on the phone I'm so afraid of putting any money into real estate right now because it was literally months after September 11. She said she had no idea where this country was heading. She's not one of my students so I have pretty good boundaries and I said to her I teach people how to do this. I said I'd be willing to give her

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some key pointers here and she said no the fear is telling me I'm not supposed to do it. I said okay, fine and she didn't invest and now she regrets it later on. She's let go of that fear now and she's beginning to invest in a market that again people are saying you shouldn't buy anything now and everyone I know here in Hawaii says now is the time to buy. If anything the fear that is being spread out there about where we are in our economy there are certain areas where it is the absolute right time to buy. If you can get that information and knowledge and trust your gut, it's a good time to invest right now.

Mosca: You know Matthew, I almost feel like I have to slip you some money like I paid you to say some of these things because these are the concepts that we've been talking about since we been doing this program now for almost a year. The idea is look beyond what you read, look beyond what you hear, and talk to the people who have the know and understand that. Let me ask you this though because you mentioned fear and we talked about gut instinct. That fear could almost be looked upon as gut instinct so how do you tell people to differentiate between the two when they're making that decision to invest money in real estate?

James: You do need to be able to differentiate between the two and I teach people, you know these motivational speakers that say negative emotions are awful and you should get rid of them, *huna* has a different approach. Negative emotions like fear are valuable because they provide feedback in the moment. If fear comes up and if I'm doing a real estate transaction and I remember we were buying a property and we were buying it for 9 million and we're now in the process of selling it for well over 12 and this is just within a couple of years now commercially. I was afraid, that's a lot of money, and I had a little

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fear going into it and I went okay what is this fear. So, once I let go of the fear I then figured out what was causing it. It was the fear of something that was unknown within the contractual obligations of the purchase. Fear in the moment is an indicator of there's something not right here to proceed however, to stop and say the fear is telling me to stop that's the wrong approach. *Huna* teaches that the fear is just something from your gut saying look there's a reason why you should stop for a moment and figure out what's going on then you have to let go of that fear. You would never move forward based on a negative emotion. You wouldn't make a decision out of anger and I tell this to people all the time. Have you ever made a decision out of anger that didn't work out well? Everyone raises their hand and I say when a person says to me I'm afraid to invest, I'm afraid to put my money into something, isn't that the same thing? If you make a decision out of fear isn't that the same as making a decision out of anger? It's not going to be a good decision. Fear tells you to stop, find out what's going on, and then you need to go ahead and make a decision based on positive thinking. Don't ignore the fear utilize that as an opportunity to figure out what you need to know in order to make a positive decision.

Mosca: That's an excellent point and it's almost like again bringing up the point of working with people who can help you to better understand that fear, people who have their hands on the marketplace, people who are aware of what real estate is doing in a particular location, people who are maybe a little bit more knowledgeable than you are. I find that most people have a difficulty appreciating that others might have more knowledge than you on particular subject matters.

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James: I'm the first person, everything that I know, when I'm teaching a seminar I get up in front of the group and I say *huna* has taught me to say this really important phrase at the beginning of the training and that's called 'A'ohe pau ka 'ike i ka halau ho'okahi' which literally means think not that all wisdom is in your school. One of my teachers, one of my Kumu, he would say this to his students before he would begin and he's a master, he's a master of hula and chanting and spirituality here. He would say I know some of you in the audience are masters and I respect that, what I'm teaching here, this is what I know. I know also that there are other paths that are just as important and he would say all I'm doing is sharing information with you. So, to think that you ever know everything, the people that I've studied with that are truly masters, they realize they don't know everything and in fact, the more I've learned the more I realize I don't know. To not take advantage of people who know more than I do, that would just be silly from an investing standpoint.

Mosca: Absolutely, and one thing you might not know is that we're coming up on our last break of the program. So stay tuned, we'll talk more with Dr. Matthew B. James after this break.

BREAK

Thanks for tuning in today to Income Property Investment Talk. If you have a question for Peter or Dean call now, listener lines are open. The toll free number is 1-866-472-5790. That number again is 1-866-472-5790. Now back to Peter and Dean.

Mosca: Matthew, I've been blessed in many ways and one of the ways that I've been blessed is that I've been able to visit and work in Hawaii numerous times. Let's talk a

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little bit about the Hawaiian real estate market. What's happening there as you see it? I know that I think you told me earlier that you don't hold a real estate license but you're there, you work with a lot of real estate agents/brokers, what do you see in the real estate market in Hawaii right now and the different islands? Why don't you start with Oahu?

James: The two areas that I'm most familiar with are Oahu and the Kona Coast so the big Island of Hawaii but specifically the Kona Coast. In both of the areas the trend right now in my opinion and everyone I've talked to, every real estate agent that I've talked to is screaming buy, buy, buy. That's totally contrary to what the media is saying because the media is saying these economic times are awful. Here is how I can summarize it, Hawaii had a slump in real estate back in the '90s and it was largely based on Japanese investment. Not to blame the Japanese, it's just that our economy was so tight to theirs that when that went downhill it brought us down along with it. The swell of investors that we've had over the past five or six years have come primarily from the mainland, from the mainland or continental US which means that we're not tied into a foreign investment. That's good and bad. It's good in that we're going to have a lot more control over the longevity of it and the majority of the people that invested here are the type of investors that had the money to be in it for the long haul. They weren't the overnight investors because one of the real estate agents I work with says you have to have the stomach to be able to invest in Hawaii. I said to her I don't believe that having grown up here and she said no, from an outside perspective because it's so far away it can look a little bit scarier. So, she said that the people that came in here they had the money to be here and while a lot of other markets have dropped the Hawaii market, the sales have

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dropped because of the media driven fear however, the prices have remained pretty stable if you compare it to other regions within the US. So what they're saying now because there has been a slight drop now is the time to buy. One of the things in Honolulu is residential because the prices have gone down sufficiently that if you do have the money residential investment is fantastic. Especially on the Big Island, anytime on the Big Island residential is doing bad, commercial begins to do good. When commercial goes bad the residential tends to go good. So we switched over to commercial a couple of years ago and have just been doing phenomenal with it.

Mosca: What types of commercial properties do you own there?

James: We have two, and we have one that's in agricultural. We have a couple of properties and one of them we're right in the process of selling it for over \$12 million. We have a couple of commercial properties that we purchased and that would really happen when the residential had bubbled. It has gone to a point where people were asking for \$100-\$200,000 well over what the house was worth and at that point we switched over to commercial. It's just pretty much land. The properties that we have are land. I avoided getting anything that was already built out and I felt that that would be a stronger long-term investment for Kona because of the amount of development going on there.

Essa: What about the multifamily sector? I know over here multifamily is doing really well for couple of reasons none of the least of which a lot of people are losing their homes and are forced into a rental situation. Then there are other people that it's so difficult for them to obtain a loan so they are going into rental properties. So our multifamily is doing very well, how about over there?

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James: I work with one of the largest renters on the Big Island and what she said is there such an inventory now of rental properties that it's actually driving the rental prices down over here.

Essa: Interesting.

James: I attribute that to the trend that I saw which is the investors that came in here had the money to sit on things. They had the money to on investing in Hawaii, Hawaii according to one of the investors that I work with in his opinion Hawaii's like New York. It's going to go up in value on the long term. If you're looking for a quick flip, it may not be the right place for you. Hawaii is a long-term investment so the people that did invest in Hawaii they have the staying power. You don't get a lot of foreclosures here. You have a few, not a lot and not as much need for rental properties. So, again it's looking for more of a long-term investment here.

Mosca: In working and doing the workshops that I talked to earlier about, location investing workshops with RealSource out of Salt Lake City, we've been working with a number of Hawaiian investors. One of the things that we have, I guess we focus on is letting them know that they can take their money there and purchase in markets in the states that are outperforming their particular market no matter where they are in the islands. When we do "convince them" that this can happen and is happening for peers not only on the islands but also here in the mainland, they are quite amazed by the amount of real estate that they can purchase here in the mainland for the money that they spend on the island.

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James: That's a definite thing that you have to be ready for. My first house, remember when we started the show I was talking about how I had no money and I basically borrowed against my 401(k) to put a 10% down payment which I then got a second mortgage on the other 10%. I was strapped with cash and the house was \$390,000, which back in that time if I was purchasing in Tennessee would've bought me acres and acres of land and a mansion.

Mosca: Yes, Nashville.

James: It was a house built in the 1960s, it was a single wall construction, and for those of you listening that don't know what single wall is that means that there's no installation. You've got a single piece of wood between you and the outside. It had only been renovated once and we put money into it, we painted it, we did some minor remodeling inside and at \$390,000, people, I remember my mom saying what are you doing, look how much money that is, my first house cost this much. It sold for just under \$1 million. So in Hawaii a single wall construction house that sells for just under \$1 million, I think it was 1400 ft.² indoors on 7000 ft.² of land you have to be able to rethink real estate here in Hawaii. The house, the people that bought it from us, it's still holding its value even though a lot of properties have gone down. So, that's just the way houses are here. I've brought in power investors who have built shopping malls in the South who when they come here and they start doing their computations on penciling this, they look at me and they say how do you invest here? You have to really have the stomach for it. I say you do and here's some of the *huna* principles that I teach to help you let go of some fear and

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you've got a look at the bigger picture. You've got to look at your purpose and you've got to find out if you're in it for the long haul, Hawaii's a good investment.

Mosca: Absolutely. If you want to contact Matthew go to our website at incomepropertyinvestmenttalk.com/082008, today's date, that's

incomepropertyinvestmenttalk.com/082008. Matthew, we have one minute what's the golden nugget for the show today?

James: The golden nugget would be to find your purpose. Find your why. Why are you doing what you're doing? Not just the real estate investment, why are you doing what your doing in your life? *Huna* teaches that if you connect everything that you do up to your purpose, you're doing basically what you would be doing with something that's an electrical appliance. You're plugging it into a level of energy that will give you enough to do everything that you need to do in your life. Find your purpose, find your why, and that will give you your bigger direction.

Mosca: Dr. Matthew B. James, we appreciate you coming on Income Property Investment Talk. We thank you and hopefully we'll hear from you again sometime in the future.

James: Thank you both.

Mosca: Next week we'll have Tom Freestone on talking about zoning and how zoning correctly can increase the value of your property.