

EPISODE 306

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.1] WS: This is your daily Real Estate Syndication show. I'm your host, Whitney Sewell. Today, our guest is Raphael Vargas. Thanks for being on the show, Raphael.

[0:00:32.7] RV: Thank you, Mr. Whitney. I'm very honored.

[0:00:35.3] WS: I'm happy to have you on. Raphael is the 25-year-old founder, CEO of multimillion-dollar real estate companies, Real Stealth and Real Empire. After being robbed when he first started in the real estate industry at the age of 21, Raphael kept working. Wow, that's a hard way to get started right there.

He made \$30,000 on his very first wholesale deal and in just three years, he had created a seven-figure real estate business. Raphael and his team now works together to close deals in one of the most competitive markets in the US and are on track to hit 10 million dollars' annual revenue in 2019. Raphael, that's impressive and congratulations to you on your success and I know it's not been easy. You've definitely worked hard to get past many obstacles. But give the listeners a little more about who you are, what your focus is and we'll dive right in.

[0:01:24.0] RV: Yeah, I appreciate that intro. Yes, I did get robbed when I first got started in real estate. A lot of people don't know or people that know my story know that I got started with very humble beginnings, in my mother's basement, did not graduate high school. Barely did not

graduate – I got kicked out of high school actually, went to an alternative school, so graduated with the GED.

Never graduated, never went to university so I have no college experience, no formal education let's say. And so, starting off at the age of 21, it was really difficult for me to understanding brass of the concept of real estate, not having mentors, not having a father figure at the time, only having my mentally unstable step brother and my single mother who is working two jobs and trying to go to college at that time.

So she was in my ear all day telling me to go get a job, help support the family, you know, we were financially struggling and I told my mom one day, "I promise you, I will retire you, 100%, I'll become a multi-millionaire real estate investor," and seven years later, that's what I did and I became a multi-millionaire real estate investor and commercial assets.

As you said, this year, companies on track to do over 10 million dollars. My multiple collective of companies so I own seven primary companies so I have my wholesale company, our education company, so collectively, companies are doing over 10 million dollars in revenue this year, probably closer around 12 million to be exact.

And so, just blessings from God, owned over 10 million dollars in real estate assets, commercial and residential. I've syndicated deal as well. I have a very strong focus right now on massively acquiring commercial assets, so self-storage, multi-family, those are my two main asset classes that we're focusing on and so just kind of shows you that it doesn't matter what your background is, it doesn't matter who you are, it doesn't matter what your skin color is, it doesn't matter what your education level.

You know, real estate success is possible for anybody. If you have the right guidance, the right mentors in your life, anyone can be successful on this.

[0:03:17.1] WS: Awesome. Maybe tell us, I know your initial focus is wholesaling and that's where you've really got started in this real estate industry. So, give us a little background on that and you know, elaborate a little bit on your team and let's go into that team that you've built and some things maybe that you're doing different that no one else is willing to do in the market.

[0:03:35.2] RV: Yeah, and so I always tell people, you know. Wholesaling is a great and sure way to get into real estate, right? I was a dufus, I was a knuckle head, I was not the smartest guy in my school, at all and so wholesaling was easy concept for me to grasp when first getting started. So what wholesaling is, some listeners may or may not know it is we find motivated sellers, single family properties, we secure them under a contract, let's say for a hundred thousand a purchase.

Then we take that contract and we sell it to another investor for 120,000, we'll make a \$20,000 spread, an assignment fee, make 20 grands, the investor will buy for 120, the homeowner walks away with a hundred thousand, we make the 20,000. So that concept goes super easy and I loved it because I didn't have any money getting started off.

And you can flip contracts literally with no money, no credit, right? I love that concept. So when I was first getting started, it took me a long time to get my first deal. When I first got my deal, you know, I made 30 grand, I was like, "wow, this is amazing." It took me nine months to actually get that deal and I said if I can do this once, can I do this 10 times?

Then the next year, I did it 10 times. I made 300,000 solopreneur. "Wow, I'm 22 years old, making 300,000. I wonder if I can do this 50 times?" Then the next year after that, I made over a million dollars in just assignment fees and I was 24 years old and I made my first million. I was like, "wow, this is incredible, you know?"

Now that I'm doing this in Washington DC area, can I do this nationwide? What we're doing that's really unconventional to the real estate wholesaling market is that we're in multiple different spots in markets. We're here in our 5,000 square foot office right back there. You know, we have over 20 people on the phones, crushing it with you know, sales, talking to homeowners in eight different metropolitan markets.

Making offers right over the phone in seven minutes and then sending out DocuSign agreements for homeowners to just sign the agreement, we lock it up virtually, we sell the deal virtually to investors and last week, we did about 17 contracts just last week, about \$250,000 in deals just last week.

This week, we already did about \$210,000 worth of deals, which is about 12 deals. This goes to show that you can do virtual wholesaling. That's what we do that's really unconventional is we're locking up deals in multiple different states. So, we love it.

[0:05:51.4] WS: Wow, you know, it's obviously an ability that you have to build a team, right? I mean, to be able to do it at that level, to be able to grow, to be able to do this and all over the country now, you know, not just in that one market but virtually build this system and team.

I know in some ways, that there's ways to get to build a good team, there's ways not to build a good team, but you know, there's ways that I know you know of to train them and to build demo. Let's elaborate on that a little bit.

[0:06:15.2] RV: I mean, leadership I think has a lot to do with leadership in general, you know? Building a successful company like Jack Wells says. You know, if you want to – the team with the best players wins, right? You have to be able to identify the best players and bring them on your team no matter how much they cost. Whatever it takes, you have to be able to attract the best level people to your team and the only way to attract high level people is for yourself to be a high-level person.

So, what does that mean? You have to read a lot of books, right? You got to read a lot of books and so when I was first getting started, I was reading three, four books a week, you know? I was reading massively because I had no education, so I was self-educated.

I was watching YouTube videos, I used to not sleep for three days straight, reading books and watching YouTube videos while my buddies were partying with hot chicks at the age of 21, you know? While I'm sitting in my mom's basement reading and reading viciously.

So, I had to elevate myself, elevate my mindset and just elevate my ambition so that I can attract high level people. Now, I have a certain level of discipline that I come into the office at a certain time. I leave later than anybody, I work hard, they see me working hard and I'm able to attract these high-level team players.

Also, recruiters have helped me attract massively quality people. One thing that I think I'm really good at is finding people that can do things that I'm not able to do. For example, you know, I'm not the best commercial investor out there, right? I own 10 million in assets, but compared to my mentor and really good friend who owns five billion dollars' worth of assets, I'm a nobody, right?

And compared to some of my other buddies that own hundreds of millions of dollars, I'm nobody. What I did is I said, "hey, look. I'm not the best at underwriting these commercial assets. I'm not the best at self-storage. You know what? I've become very successful where I can afford \$100,000 salaries. Let me do this, let me go ahead and find a recruiter to go and find the best commercial underwriters, the best deal sources, people that understand exactly how to underwrite self-storage and multifamily?"

So, I just called my recruiter buddy. I said hey man, here's \$100,000 salary, let's bring in the best. Bring in the best and now we have a full-time underwriter, full time deal sourcer that's just underwriting and sourcing multifamily and self-storage all day long, in my office right here. He's just – he's underwritten six billion dollars in asset, way more experience than me. I just got really good at just finding people that are good at what they do, better than me.

[0:08:35.9] WS: I was going to ask you where you're finding these team members but you mentioned you have a recruiter buddy. You know, is that how you're finding all your team members is through a recruiter and what does that look like?

[0:08:44.1] RV: Yeah, a lot through a recruiter, a lot through word of mouth, Indeed. I mean, just Indeed, Wise Hire and recruiters. I mean, that through those means, I mean, you're going to win. And there's an amazing site, let me pull it up, it is called, you know, a lot of people are going to get value from this show, this syndication show. If you go to selectleaders.com. It's specific to hiring people that are in the commercial real estate business so you put ads on selectleaders.com.

You can find people that have had so much experience and underwriting, appraising, I mean, whatever you're looking for when it comes to commercial real estate, that's what we did.

[0:09:24.3] WS: Wow, that's a great resource, I appreciate you sharing that. Okay. Now you've built your team, you found these team members, you know how do you incentivize them or do you? How do you retain them? How do you curate this environment where they want to work that hard for you and stay with you?

[0:09:39.8] RV: that's a great question. If I showed you my office right now, I'll walk out that door, you would see a room full of people screaming on the phones. There's music, I mean, you can't hear it right now, but we have music just blasting like crazy, you know, loud, good positive vibe, music's blasting, we get snacks for them every single day, we have Bang energy drinks that they need them.

We're just hustlers so when you walk in, you're immediately like, "this so much positivity." And the environment is super cool, we have these cool lounge chairs and the desk are all standing desks, it's just the coolest environments so why wouldn't anybody want to work. People love working for our company. The vibes are just amazing, you know?

[0:10:21.6] WS: Wow, any other ways that you incentivize them or they like any kind of percentages or you know, I have to give exact numbers but is there any way that they are going to work a little harder because of anything you're doing.

[0:10:31.4] RV: Yeah, for our commercial acquisitions, the specialist underwriter, he gets a percentage of equity on the deals that he sources. So, he'll get a small percentage of equity on deals that he sources. Then obviously gets a salary on top of that. Everyone in our office pretty much gets the salary and they get a percentage of commission.

So, we just have high performers there man, high performers and so they're you know, six figure multiple six figure earners in our office.

[0:10:55.9] WS: Nice, I know you got started and you've built this business through wholesaling, you've built a very successful business. But you are also now syndicated deal in California and then you're also, I have an LOI on another multimillion-dollar self-storage project now. Tell me about that transition from wholesaling, you know, into syndication and maybe while you would

do that, why would you not just continue to grow your – the wholesaling business which you probably are but why move into syndication as well?

[0:11:21.4] RV: That's a great question. So wholesaling is great for cash, right? Make amazing amount of cash in our company again. We're doing over four million dollars a year in just wholesaling. So, cash is amazing, you know? I was able to buy a lot of really cool stuff and I'm a young guy, I have a Lamborghini Aventador, my dream car but BMW I8. I live in an awesome penthouse. So live all these cool stuff, I've retired my mother full time so the cash was great.

But then it was like okay, well now it's time to invest these capital that I've made and also, raise more capital, use the capital I have and all the relationship that I have, right? Ray Lewis, Superbowl champion, you know, NFL superstar, a good friend of mine, we're in business together, we're in a solar industry business together and he's like, "hey man, let's invest my capital as well, let's invest my NFL buddy's capital and let's start showing these NFL knuckle heads how to invest their capital the right way."

So, kind of ideas of the high net worth individuals that I have relationships with that are not involved in real estate, other entrepreneur buddies that are in multilevel marketing companies, stuff like that. They're hitting me up like, "dude, I have a million, two million, you know, what do I do with it? I want to invest with you." And so, I'm getting all these really. I'm pretty big on social media so I'm getting DM's and calls from all my buddies like, "dude, we want to invest in real estate. You're the real estate guy."

Then I'm like, dude, well I don't need money for my wholesale company, you know, I need to invest these funds into commercial assets and that's why legacy relationships are super important when it comes to commercial acquisitions and commercial building, you know? And syndication, right?

So, I built these amazing relationships with really high net worth individuals, huge entrepreneurs, public figures and so now, I got all this capital and so now I'm like, "I need to invest in real estate. I don't know how to do that, right?" So, my first project that builds a relationship with a non-profit organization. So, my office building that I own in California, single tenant, triple net building, great cash flow, it's very hands-off triple net single tenant situation.

So, build this relationship, the way I got that deal and this is a great way for your syndicators to get deals too, there is non-profit organizations that pretty much acquire buildings from high net worth individuals that need to alleviate some of their tax, to do some tax saving.

So, they donate buildings or a percentage of the building to this non-profit organizations and the non-profit pretty much appraises the building at a higher percentage so that there is a cash incentive that they buy the building cash and then there's a hug tax savings. So, for example this building was valued at \$6 million and the seller receive \$3 million cash and then \$3 million in tax savings from this non-profit.

So now this non-profit has really a \$5 million asset that they are now reselling to an investor like me for \$4 million. So, they are making a \$1 million that gets donated to their charity. They are selling it to an investor for \$4 million, the building is valued at \$6 million. So now everyone wins on the deal and so that is where we acquired our first deal man and that's where we are syndicated it just from the relationships that I have.

You know syndicated at, I put up a couple of hundred grand and then we had a couple other syndicators putting up some, LP partners put in some money and so now we got the deal done.

[0:14:33.2] WS: How did you make that connection with that non-profit?

[0:14:35.5] RV: That is a great question. Actually it was through a Bible study group that I was involved here in Tampa and it was strictly – it wasn't strictly but it was really full of real estate commercial entrepreneur guys and that is where one of my mentors who owns \$5 billion worth of assets, they actually own the San Francisco 49ers, as well. So that is where I met them. So just through a Bible study group and he said, "hey man this is what we do. We get these off-market properties, commercial assets donated to us and we resell them to investors and developers like you." So built that relationship, went to their headquarters and that is how we did it.

[0:15:09.3] WS: What about all of these high net worth individuals you are mentioning? How are you meeting those or how initially, you didn't know any of these people then all of a sudden these high net worth individuals you mentioned are contacting you and have this money they

want to invest, pretty much every listener wishes they had that problem, right? How did you start to develop those relationships say very early on? How did you meet them?

[0:15:32.8] RV: I think that is a phenomenal question. So, one thing that I did was I always say what I am going to do, right? I always do what I say I'm going to do and I follow through with that but the biggest way that's really helped me not only is being obviously a man of character in business another that really helped me was through my social media, my Instagram. So, my Instagram, I have 110,000 followers on Instagram pretty actively out there, putting myself out there.

A lot of people want to raise money but they are not telling anybody they are in commercial real estate. They are not telling people, "hey, I got this deal I am working on." And you got to tell people, show people on a daily basis whether it is through social media, whether it is through going to other conventions that are not real estate related at all or that is being part of EO, which is Entrepreneurs Organization in your area where there are so many entrepreneurs that aren't in real estate.

And they are getting 3% returns or risking it in the stock market and you know you tell them, "hey, I am this real estate guy. I just got this deal done." Or you could use your partner, right? Maybe you have a relationship with a real estate buddy and that is your partner starting off, "hey we just got a deal done, you know I gave our investors 15% returns, it was crazy, just got it done." And you just start talking about this stuff and they will start getting interested.

Like, "hey, hold on, this real estate thing this sounds cool." So, for me putting it out there on social media all day every day. You know I am doing videos; I have a full-time videographer in my office that is just doing videos all day of me, right? And me and my commercial acquisitions guy were analyzing deals and putting that on social media and people are like, "dude that is so cool. You know, how can I get involved in this? I have a \$100,000, \$200,000." That is how I have been able to do it, man.

And the same thing with my connection with Ray Lewis, all social media. So social media now, look I am 27 years old maybe a lot of your listeners might be older than that, but dude, social media is such a powerful tool right now and I think the millennials that are going to really lead

the next generation are going to be empowered and really are going to be the ones that are massively using social media to the maximum capacity, you know?

[0:17:37.4] WS: Great advice, I really appreciate you sharing that. That is very powerful. Very powerful. So how are you managing all of these connections and your investors and all of these people? I am sure you have a great CRM or something in place, well how do you do that?

[0:17:49.7] RV: Yeah, great question I have a really simple CRM it is called Podio. It's simple, free, it is \$14 a month. You can \$14 a month or you can use one for free and you just manage all out contacts there. You know we get all of our self-storage and multifamily assets off market from Yardi. We pull yardimatrix.com, we pull all of those assets, we put them into our CRM, our acquisitions, our commercial acquisitions guys calling these owners of these assets asking them, "hey, we're just getting an offer. Do you want to sell?" And so just like that simplicity.

[0:18:24.9] WS: All right, so I guess to change gears just a little bit, what is the hardest part of the syndication journey for you so far?

[0:18:30.6] RV: Oh man I think the hardest part for me is finding the deals right for me. It's been finding the deals and that's I hired somebody fulltime to just go at it all day, every day because at first, I was trying to do the underwriting, the sourcing and I had multiple different companies. I was pulled in multiple directions. I said, "I can't do this." I can't source and underwrite deals. So, I say look, go to that website that I recommended, right, which is selectleaders.com, find somebody that has the experience sourcing and underwriting for you and they will just bring them one new deal a week.

You know soon you will have so many deals. You are going to need a lot more money to invest and so that is what I did and it really worked well.

[0:19:16.4] WS: What is a way that you have recently improved your business that we haven't talked about that we could all apply to ours?

[0:19:21.3] RV: Man, you know again it was hiring that fulltime commercial underwriter and sourcer. Even though it is expensive investment, it is an investment that is worth it nonetheless.

You know somebody that is doing that fulltime that has that experience instead of syndicators doing it themselves. The way that I have seen my buddies like for example, my good friend, Tim Bratts. I think he was actually on the show, a really good friends of mine.

I have been friends with him for five years. I have watched him go from zero assets to \$300 million in assets over the past five years of our friendship. So, you know I was seeing that I was like, “dude, what did you do different?” He has one fulltime underwriter and that’s what I think a lot of people need to do especially in syndications.

[0:20:04.6] WS: Nice, so what is your best advice for caring for those investors?

[0:20:09.3] RV: I think I always try to add value before I ask for anything, add value. And so, with Ray Lewis, you know I was just looking at what he had going on and he was like, “hey I got the solar company in Baltimore. I know you are from Baltimore.” Yada-yada like, “tell me about this solar company?” Well he is telling me what he is doing and I am like, “dude, your sales, you are doing your sales wrong. Let me take over your sales, let me add value to your marketing.”

Now we are helping him do his marketing, we are helping him with his sales and his solar company. So, I am immediately – I am just trying to add as much value before extracting and taking. I get hundreds of DM’s a day from people just trying to take and take and take. Let me get into real estate, tell me how to do real estate. Dude, it is like high level people that have money. They don’t want that. They don’t want to hear that. You know they want to help people without a doubt, we want to help people.

We want to first see that are you able to provide us value first? And if you are able to do that, you’ll get an abundance, the world will give you so much more than what you expected.

[0:21:07.1] WS: What is the number one thing that is contributed to your success?

[0:21:09.5] RV: God. You know my relationship with God and my faith is the number one thing without a doubt. I don’t even have to think about that because I shouldn’t be here. You know at the age of 21, 20 years ago, people are trying to murder me. I was going through a lot of crazy stuff. I should not be here. The way that my life has been is not serendipity, it is not just by, it just

happened. It has been directed perfectly by God and I think God seeks the earth looking for people that are willing to just follow His path.

And I think one thing that I was going to do was I was so desperate in my mother's basement struggling so hard financially, spiritually, mentally, physically struggling, watching my family struggle the same way. I just was not – I was willing to do whatever it took. And I had to rely on God because I didn't believe in God and spirituality all of this stuff when I was involved in all of the bad street life that I was doing. So, it forced me, I had to rely on God and just direct my life and I wouldn't change it for the world and now I am here today so.

[0:22:07.4] WS: Awesome, I couldn't agree more. I appreciate you sharing that. It's awesome and how do you like to give back?

[0:22:12.9] RV: That is a great question. So, we actually are doing this really cool idea where we are going to start coaching and teaching people how to do real estate wholesaling for free with pretty much pay whatever you wish kind of an ideal and I think it is going to go really viral. We're are going to train people on real estate and they can pay you either a dollar or \$5,000 and we are going to do this every single order where we train people how to do real estate investing.

And they can invest whatever it is, all those proceeds will go directly to a non-profit organizations. I am partnered with an alternative school. I went to an alternative school. I know the negative effect it had on me when going to a school full of gang members, you immediately just get worse. And that's what happened with me. You know it almost cost me my life doing that and involving myself with those people. So, I am partnering with an alternative school that we are consistently paying for the kids that can't even afford shirts.

It's crazy to think that people in my backyard in Tampa, there is kids with crack head mothers, no fathers, they are coming into school, rips in their shirt, holes in their shoes, their teeth are messed up because they can't go to the dentist. They have no insurance. I mean this is ridiculous. This is absurd that kids are living life that way and so the proceeds that I make I give a percentage back to my churches and obviously alternative schools.

But then we are trying to make viral kind of effects in my education company, I said give back millions of dollars and that is part of my mission and purpose.

[0:23:33.7] WS: Raphael, you have been an amazing guest. Unfortunately, we are out of time but you know I just really appreciate you just being real, you know sharing your path to success and congratulations to you as well but before we go, tell the listeners how they can learn more about you.

[0:23:47.9] RV: Yeah, follow me on Instagram @realraphaelvargas. That is where I am most active on Instagram, follow me on Facebook but Instagram is my most activity so check me out and also go to my website, realempire.com if you are interested to learn about real estate wholesaling and how you can make a lot of cash in that business to then invest in commercial assets.

[0:24:12.4] WS: Awesome, thank you so much.

[END OF INTERVIEW]

[0:24:14.2] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

[0:24:54.9] ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Lifebridge Capital. Lifebridge Capital works with investors nationwide to invest

in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Lifebridge Capital, making a difference one investor and one child at a time. Connect online at www.lifebridgecapital.com for free material and videos to further your success.

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