**EPISODE 308**

[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 Peter Conti. Thanks for being on the show, Peter.

**[0:00:31.5] PC:** Hey, great to be here. All of you listening in, great to be here with you.

**[0:00:35.3] WS:** Awesome, glad to have you Peter. Peter started investing in real estate in 1990, went from auto-mechanic to self-made millionaire in three and a half years. I know there's a lot of listeners they would love to be in those shoes so you know, moving from that day job to three and a half years to a millionaire.

He's helped thousands of real estate investors through his books, courses and mentoring. Now, mostly retired, Peter selects a handful of people to mentor each year. Peter, again, thank you for your time and being on the show and sharing your expertise with the listeners. Tell them a little more about who you are, what you're focus is and let's figure out how you went from auto-mechanic to millionaire in three and a half years and how us and some of the listeners can do the same.

**[0:01:12.5] PC:** Awesome. Well, I don't know if we can cover that whole thing in the podcast but we'll do what we can. I just want to reach out to all of you on the show here and just say welcome, thanks for joining us, the fact that you're listening to this show lets me know that you're someone who wants to do more and be bigger and broader with your life and that’s where I was as an auto mechanic.

While I enjoyed being a mechanic, I wanted to do other big things and I found that real estate was the avenue that I took and I’m so thankful that I did. Back when I got started, Whitney, I didn’t have a lot of the stuff that’s out there now. I mean, there’s all these apps and systems and things that you can help you find properties and connect with owners and automatically send them messages and things and the one technique I have learned was if you call up enough property owners and you ask them if they would be willing to help out with the financing or carry back a note. Would they have an interest in that or were they probably hate that idea?

Not super fancy, not sophisticated by any means but I could do that much. And so I started going through ads and calling numbers and calling to property owners and basically would ask them a little bit of information about the property and then spring the big question on them. "Gosh, I don’t know if you’d be interested in this or not but would you be interested in maybe helping out by carrying back the financing?" If they told me no. I'd thank them for tier time and hung up if they said yes, I stay with them and kept moving forward to see what we could put together.

**[0:02:30.7] WS:** Wow, why real estate though? You’re a mechanic, you enjoy that and why real estate? What pushed you towards real estate specifically?

**[0:02:37.8] PC:** Well I think one of the biggest things was, I took the time to see where I was headed, I actually went out and visited people that had been auto mechanics their entire life. You know, these people that maybe they own their own gas station by then or whatever and what I saw were people who were older and kind of worn out from working with their own hands all their life and not really that much further ahead than I was at that point in time.

While my main focus it wasn’t money for money’s sake, I did know that if you had money, it could help you to achieve many of the other things that you want to do in your life and that’s why I went after real estate. Coming from a family with seven kids, I didn’t have the ability to go through college, I didn’t have a lot of opportunities. I could you know, work as a mechanic, I could work in a warehouse or something or I could take a shot at this real estate thing.

What I told myself and this may be helpful to somebody listening is that if someone else can do it then it may take me a while to figure out how they did it or find my own pathway but if someone else could do it, I knew that I could too.

**[0:03:36.1] WS:** Great advice and as long as we're moving forward, right? It might not be as fast as somebody else but as long as you're moving forward, you're better today or tomorrow than you were yesterday.

But you got into that first deal and you know, how quickly then did you make this decision to go into real estate from being a mechanic till the time you said, "Okay, you know, I can really do this full time and make a business?"

**[0:03:56.4] PC:** That started, I kind of knew that I wanted to do it and knew that I just needed to get over that hurdle like first deal done and nothing fancy on the first deal. I found a broker, his name was Don, he found a duplex of all things. You know, after a big property but at least a multi-unit property.

He said it was a good deal, I didn't know for sure, it was a special program at that time it was the HUD program where it's 5% down for investors and I just went ahead and bought that thing and the crazy thing about it is I had a goal of doing a hundred u nits that first year and I bought that property in march and I was looking at lots of properties, making offers, analyzing, going up and checking the roof, that type of thing but I got all the way to august, I hadn't bought any more properties.

Luckily a friend of mine Dan came along and kind of confronted me on it and said, hey, I thought you were doing this real estate thing. Is it really going to be working for you or not? I had hesitated on getting some help that as you maybe can tell us so far in our conversation here, I just want to get in there and try to figure out how to do it on my own and I had a chance earlier to work with a mentor.

The mentor's fee at that time wasn't a lot, it was $5,000 but for someone who made $25, $30,000 a year as a mechanic. $5,000 was a lot of money and I finally realized when my friend pointed out that that, from my perspective as an auto mechanic, the fee for my mentor was a huge amount of money but the amount of money in a real estate deal, I mean, you know, you and the people listening this call, I mean, we put together syndication deals all he time where the attorney fees along can be 20, $25,000 on a deal, you know, you know, it's just change on a big commercial deal.

**[0:05:30.1] WS:** Wow, your friend helped really change your way of thinking about that $5,000, you decide to pursue some mentoring, is that what you did at the time?

**[0:05:38.7] PC:** Yeah, a guy his name was Keith and unfortunately he's no longer with us but he pointed me in the right direction, helped me with some things that are really not huge obstacles. Nowadays, you can probably get the answers some of the questions he helped with even on your podcast. Which again is awesome for all of you here, you're learning, educating yourself. but it was enough for me to be able to get that extra boost of confidence so I went out from there and started acquiring properties.

Many of them in C class properties. Properties where it wasn't the best neighborhoods, they weren't the easiest properties in the world to manage. But the flip side of that is, in a tougher area with tougher properties to manage. I found it was easier to find sellers who might be willing to jump in and help out with some of the financing.

I mean, I did a 12 unit property where they were getting a divorce, they wanted out from under their property because of the divorce, the two owners, they actually brought $10,000 to closing to make the deal work. They paid me $10,000 to buy their property basically.

**[0:06:35.8] WS:** Interesting. You found that some rougher properties or so classy or worse properties was where you can find some deals or find sellers who are willing to carry that node or do some financing?

**[0:06:46.9] PC:** Right, there are stations where I would go in and I'd found someone there was a four unit that I found someone, there was a four unit that I found where the two guys that towed it, they had met the broker that brought me the deal, they had met him at a baseball card trading convention. The broker's son was into trading baseball cards and he met these guys and he realized that they have this property, they really should have never owned it, they weren't running it as a business, they weren't doing some of the basic things that you know, if you run a property correctly, it's not a big deal if you don't run it as a business, it can get to be a nightmare.

They were kind of living the nightmare and basically, I went in on that property and just took over the existing financing, started making the payments on it and owned it for about four years and then sold that one, made $82,000 on it.

I think probably for a lot of people, getting out there and getting that first deal done, whether it's a smaller property like I started off with doing a duplex and then I think the next one was a four unit and then a seven and it kind of went up from there or if you are doing a small piece of a deal, if you can become involved in a syndication process and do one little piece of a much bigger deal, to where you got that feeling that, "Yes, I am a real estate investor, I'm doing this, I'm making it happen." I think that's critical.

**[0:07:57.6] WS:** It's getting some momentum isn't it? Getting that first property and creating some confidence?

**[0:08:02.2] PC:** Yeah, absolutely.

**[0:08:03.7] WS:** Okay, you're ready to leave your mechanic job now and you found this other property, you're making some money, you can really see that this can be a business but from there to where you're at now or maybe over the next few years after that, you really grew that business obviously but what was your focus, what type of real estate and how did that business grow during that time?

**[0:08:22.4] PC:** Well, I basically developed the portfolio with C class neighborhood properties like that in a multi-units, done a number of techniques as well with single family homes over the years. After I've been investing about seven years in 1997, I started teaching and mentoring people and actually have mentored thousands of people all across the country. And one of the things that we used to do was we would work with people and help them get their first couple of deals. The fun part about that is I was able to be involved in all these different deals across the country.

And had a lot of different situations and things that came up where we could try out different strategies and I'll admit it here, I had students who came to me with a problem that I hadn't solved before. I would give them my best ideas and a body, since, "Hey, why don't you go try this?" Then they'd hop on the call the next week and I get to find out how it turned out. "It didn't turn out? Well, okay, well I'm not going to give that advice anymore, or it did work out, great, tell me more about that."

It's fun through the years to be able to be involved in so many deals all across the country and so many different types of people which is one of the reasons I keep my hand in it now. I mentored just a handful of students each year right now even though I'm for the most part, mostly retired, I travel around the country, visit my grandkids and I actually injured my leg pretty badly or pretty well depending on how you tell the story about six years ago and had some nerve damage in my leg and so it wasn't healing up and I decided I was going to hike the entire Appalachian trail, from Georgia all the way to Maine.

Actually did that in an attempt to see if I could make my leg better, which it actually helped a ton and I'm still in the process, even though that was over six years ago, I'm still in the process of doing some regular rehab on my leg, which is it's actually a good thing that's happened to me, it's gotten me back in shape and condition and some of the best shape of my life.

**[0:10:09.4] WS:** Wow, okay, many people that I know that are listening are looking to do what you did and go from that W2, whether it's a mechanic, you know, whatever, that W2 position is that they have and want to go to that millionaire position in three and a half years.

Where do I even start Peter? You know, I'd love the syndication model, I'd love to be buying apartments or talking to investors but I just don't feel like I can even do that or I don't have the confidence yet. You know, from your experience, now, you've coached many people through this process, what do they need to do to get this in their mind that you know, I can do this and I got to start creating some traction?

 

**[0:10:42.8] PC:** Well I think beyond the basics of being able to – through books or courses or just listening to podcasts, get enough information to be able to know how to value a multi-unit property, using a cap rate formula at least, would be one of the very first things that you would need to do.

The best way to do that is to learn what the formulas are and then go out and apply them. Call up some brokers or get some properties of LoppNet, take the income expenses and do the math on it to figure out what you feel that the property is worse so get more comfortable with that.

The next step and one of the things that I urge my clients to do is find ways that they can get connected directly with a seller of a property. Now, if properties listed with a broker, as you know, a lot of times, these brokers aren't too willing to turn over the phone number or contact information of one of their listings to someone they just met that morning.

But what I found is that through a combination of doing some things, so you can connect with owners yourself directly and there's things you can do, you can mail sellers, even better just go knock on some doors, talk some tenants, find out what the owner's phone number is and call them up yourself directly or go to an apartment owner's association if you can find one in your area and meet some other people there that know the properties and just start a conversation, a dialog with them yourself directly.

As far as being able to connect directly with sellers on properties that are listed, one of the things we found that's helpful is getting an offer out on the property that you know probably isn't going to get accepted, it's not a super low ball offer but lower than let's say the seller or broker expected offer and when that offer isn't accepted, what we say to the broker is, "Hey, we can probably put this deal together, is there any way that we could all get together and just put our heads together on this? You the broker, myself and the owner of the property. Do you have a conference room or something we could sit down in median and find a way that all three of us could get together."

And I found that when we do that, that's the quickest way for us all to get to the closing, so we can all get paid? With that language pattern, what I'm doing is I'm pushing the broker's buttons on talking about getting his commission paid. Yet I'm doing it in a way where I'm respecting and making the broker feel comfortable that we're not going to go around them, we're not going to try and put some deal together directly with the seller where the broker isn't compensated.

**[0:12:55.3] WS:** Yeah, it's in his conference room, right? I mean, I like to tell you awarded that. It's not threatening, it's not hey, can you just give me the numbers so I can talk to him myself. You know, it's hey, can we use your conference room and so we can make this happen, that's awesome.

**[0:13:08.5] PC:** Yeah, I found that from a negotiating standpoint, when you're doing deals and this is for any type of property, whether it's a single family home or a big commercial triple net property, if you can find out really what going on. So one of my favorite questions for the broker or the owner if you are talking to directly is, “Wow, this seems like a wonderful property.”

Don't they all look wonderful when they look at the pro formas and the information that they give you up front? "It looks like a wonderful property, why would you ever consider selling it?" And you just shut up at that point and listen and we may not get the right answer right up front but if you are engaged and can create a connection with a seller. Create a little bit if a rapport, one of the things that I have encouraged my students to do over the years is if you can find someone that's been in real estate a long time and you can help them to see you as a younger version of themselves, for people who are listening, if you feel like you're maybe not old enough to be making money in commercial real estate, you need to use your youth to your advantage.

If you can get the seller or the owner of the property to see you as a younger version of themselves. Who is willing to go out despite not having done hundreds of deals, despite not having millions of dollars in the bank that you have to work with, capitalize, you are willing to go out and say, “I believe in commercial real estate and I want to buy your property. Here is why, can you help me come up with some ways to do that or how can we figure that out together?” It really makes it where, rather than an adversarial relationship, it is much more encouraging that seller in you to step together onto the same side of the table and put together a deal that works for everybody.

**[0:14:41.2] WS:** So multifamily has been your focus, right?

**[0:14:44.0] PC:** Yeah multifamily for the most part. I have done a variety of other commercial asset types, for example I own a part of a shopping center down in El Paso, Texas right now, which has been a great investment and I have also been involved in helping people with single family homes all across the country. We used to teach a lot of lease option type stuff. And interestingly enough, I found that with a commercial property, not with something that is a retail deal.

And they are in no rush to sell it but if you find a property owner who is motivated and has a problem they want to solved, sometimes you can put that together by doing basically a lease option on a piece of commercial real estate. It is called a master lease and it is something that can be very effective. Again, it is not going to work just calling up a broker that doesn't know you and saying, "Hey, I want to do this deal," but if you find the right seller, who has the right situation one of the things that I have seen drive master lease deals before is the fact that when someone is selling their property.

If they have owned it for 23 years or 40 years, the property is fully depreciated. If they sell it, they're going to have to recapture all of the depreciation that they have taken over the years and they are going to have a fairly good tax bill unless of course they get a 1031 over into another property. If someone is getting on in their years and they really don't want to own more property, you can structure master lease agreement where they are getting ongoing income from that property. They don't have to worry about the day to day stuff. You take care of that for them.

And the title actually changes hands after they pass on and that ends up saving their children quite a bit of money in taxes that they would have to pay otherwise. Now people don't do deals just for tax reasons, so we don't lead in with that but that is one of the things that once you get talking to them and trying to explore different opportunities, we use language like, "Well gosh, I don't know if this will work or not."

But another property, a friend of mine was talking about on a podcast I was listening to the other day put together a deal that was structured something like this. They came in and they basically paid X amount for the property. Each and every month the same amount so you wouldn't have a month where it's costing you and then you make more one month and then you got the big expenses the next month. You would have a secure steady income of property every single month.

I will collect the rents, I will take care of paying all of the expenses even the property taxes and you will get your said amount each and every month. All we need to do is agree on what that amount is and of course, a fair price that I can agree to cash you out of the property at some point. We need to figure out when that day would be.

**[0:17:14.6] WS:** Interesting. So when looking at deals and let's say now as experienced as you are, what re some major deal breakers? Just initially two or three things that, "Okay if this isn't this or if this isn't this way, I am not going further."

**[0:17:28.5] PC:** Well generally the deals I am involved in, I tend to be pretty picky about the clients I work with because I am just working with five or six of them at a time, each year. I generally am not working with someone who started out with very little money like I did originally. I had $1,500 in the bank when I got started with my investing. I like to have at least enough money that they could have some skin in the game if they're putting together a deal and bringing in other investors.

And I think in this environment that we have going on right now where cap rates are getting compressed and it just seems like it is getting more and more competitive, the more tools you have to put a deal together, the better your chances are of making a deal that is really a win-win for everybody. So generally, we'll go out and oftentimes make an offer to do a more conventional deal where it is a 20 or 30% down payment and then new financing and we'll also engage in talking with the seller.

Again, if we can do it directly with the seller while keeping the broker respected and appraised what is going on, you can sometimes out together a deal. If someone is price sensitive and they are not willing to drop on their price, they might go ahead and do a creative deal where maybe they do carry back the financing themselves just because they can have that feeling of "I wanted to sell my property for $5 million," or whatever it is that is driving them.

One if the things I learned many years ago is that you can have your price or you can have your terms but you can't really have both. So it is working between those two dynamics.

**[0:18:51.6] WS:** Nice. So in your experience and obviously the success you've had and obviously coaching so many people, what has really been the hardest part of either the syndication process or just purchasing commercial property in general, for you?

**[0:19:04.8] PC:** I think probably something that took me a number of years to learn and something that I need to drive in to some of the students I am working with is it is one thing to listen to or read a book about syndication and say, "Great, I am just going to find other people, doctors or dentist or people that want to make higher rates of returns." Understanding that if someone is going to invest in your deal they're really investing in you and they need to know, like and trust you. Before you ever even get to explain to them what the rate of return might be.

A lot of people have the feeling that — I talk to people sometimes and they have never done a deal before. They don't have any background or experience in real estate and they somehow want to be able to go out and do a $20 million deal and bring investors into it when they haven't taken the time to take the baby steps and get going first, which is why I encourage people to get out there. Maybe do some smaller properties on their own or find a ten unit property that you can maybe find one money person that go in and your deal with that money person is you put up the money, I find the deal, I'll put in all the work and effort and we will split the profits on it 50-50.

Now you can get a better deal than that with investors in the future but be willing to give more than you need to in the beginning just to get your feet wet and start to develop yourself as an experienced investor rather than someone that comes across there as real greedy.

**[0:20:20.7] WS:** What is a way that you have recently improved your business that we could apply to ours?

**[0:20:24.3] PC:** I think probably for most people here, one of the things that you can do if you are not doing it already is go a 100% paperless. I use Evernote as my filing box in the sky and I just keep everything in there when I write a check, I take a picture with my phone and save it in

 

Evernote. So all my accountant has to do is go to Evernote and pull up all my checks and they know where the money went and what it was used for.

The same thing with business and accounting for each of my different entities, I have a different credit card that I use. So any of the expenses for that property are vented, they are billed to that one credit card and I don't have to try and figure that out at the end. I can just turn that over to my account afterwards and have them do the leg work and putting it into QuickBooks and making it all come out right on the tax forms.

**[0:21:07.8] WS:** Nice, so why Evernote? I know there is other platforms like OneNote and different things.

**[0:21:12.6] PC:** Sure, there is a number and I am sure there is probably either someone could argue that they like one better than the other. I got started at one point with Evernote and the thing is once you started keeping all your stuff there for a number of years then they got you from that point on. So that is why I decided to use them.

The other one tool that I was sharing with people on my email list recently was called LastPass.

And that is a password tool that you have one super-duper fragilistic password that you can't forget because they are not going to send it to you if you forget it and as long as you know that one password, you can keep all your websites and vendors and websites you need to log in and training courses and things all in one place and it is just really simplifies life and is much more secure than keeping them in an Excel Spreadsheet or Word document. My wife used to have a word document that was called passwords, so not too secure.

**[0:22:00.3] WS:** A great thing about that site to that you can share passwords like with teammate and the teammate not know the password, you know LastPass will log in for you then you can remove those privileges when they don't need access anymore. So I use that as well a lot.

**[0:22:13.7] PC:** Yeah, we've done that and we had good experience finding vendors on Upwork, upwork.com you obviously have to try them out. You know the trick with Upwork is you need to look at the reviews and people always get five star reviews but you need to look at the comments and see, “We weren’t really happy but we are just giving them a five star review because we don’t want to upset them and tip the cart.” Or is this really someone that they actually would hire again.

And the other nice thing about Upwork is you can hire someone, get them on a small job pay them 50, a 100 bucks doing something and see how it turns out. If they don’t do a good job, you haven’t lost much and you can test people out. We’ll sometimes hire three different people to do the same job because we know chances are one or two of them may not do the job to our standards and wind up with one that we can use long term.

**[0:22:56.0] WS:** What is your best advice for caring for investors?

**[0:22:59.7] PC:** I think probably the biggest thing is to stay in touch with them. I found that with investors that I have worked with over years, I have made the mistake at times of even people that I knew really well. Anytime that I settle back into, “Well I don’t need to contact them. I don’t need to update them on the property. They know it is in good hands.” I found that investors, that if they don’t hear from you, they tend to start to figure the worst.

So just staying in touch on a regular basis even if it is just a quick little email or a text or a call just to say, “Hey everything is going fine. We just put a new roof on top of the one property there at the shopping center.” Or whatever it is, a quick little update everything is going fine and I found that that is the one thing that people don’t do. Once they get a deal put together they tend to forget about the investors until it is time to send them their annual report.

**[0:23:43.7] WS:** What is the one thing that’s contributed to your success, Peter?

**[0:23:46.8] PC:** I think the one thing that has contributed to my success more than anything else is the willingness to get out there and be willing to step out and take the next step. If I can just figure the next step in front of me, I don’t need to know all 20 or 30 or 50 and some of these complex syndication deals, there is hundreds and hundreds of steps. I’ve always felt that if I could figure out how just to take the next step, if I can take that next step, then chances are good, I am going to be able to figure out the next step after that.

And there is some people out there that they want to get into real estate but they want to learn everything about real estate before they get out there and take their first step. Gosh, I started back in 1990 and I am still learning about real estate. That's what makes it so much fun and so challenging and so interesting to be around, is that there's always new things that happen and different ways to put the deal together, which is why I love still being involved with it today.

**[0:24:35.8] WS:** Well Peter you have been a great guest. I really appreciate you elaborating on your path from mechanic to millionaire. I know like I said, so many of the listeners would love to make that same path and get to where you are but before we go, tell the listeners how you like to give back.

**[0:24:49.5] PC:** Yeah right now I am doing that a number of ways. I think one of the ways I do it is by selecting a few people each year that I can actually work with personally and take them by the hand and we end up going out and doing deals together. And that is not only very helpful to them but it is very rewarding to myself because I get to see the excitement that happens when someone goes out and gets their first or second or third property in place and I just always gotten a kick out of that. I mean if I went and did the same deal on my own it wouldn't be nearly as much fun.

**[0:25:19.2] WS:** Right and how can the listeners get in touch with you and learn more about you?

**[0:25:22.7] PC:** They could go to peterconti.com or as a special gift for those of you listening to this, if any of you would like to get a free copy of my *Commercial Real Estate Investing for Dummies* book that I am a co-author of, you can simply go to petersfreebook.com and you can get the details there.

**[0:25:39.8] WS:** Awesome, thank you very much Peter.

**[0:25:41.8] PC:** Hey, thanks for having me on the show and thanks for all of you listening. Go out, make today a great day.

[END OF INTERVIEW]

**[0:25:46.2] 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.

Subscribe too so you can get the latest episodes. Lastly, I want to keep you updated so head over to lifebridgecapital.com and sign up for the newsletter. If you are interested in partnering with me, sign up on the contact us page so you can talk to me directly. Have a blessed day and I will talk to you tomorrow.

[OUTRO]

**[0:26:26.2] 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.

[END]