

EPISODE 341

[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]

[00:00:24] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Ed Orasi. Thanks for being on the show, Ed.

[00:00:32] EO: Thanks, Whitney. Thank you for having me.

[00:00:33] WS: Now, I'm honored to have you here. A little about Ed — as a child, he drove around with his mom looking for properties to buy and collect rents. Always studying the market and finding the diamonds in the rough. In 2003, he officially got licensed in Miami and became the top producer at the brokerage within his first year. In 2011, he got licensed in Las Vegas. In 2017, he became the Commercial Director at Keller Williams, The Marketplace. In 2018, he opened a mega agent office in downtown Las Vegas, and he's currently working on a 160-unit condo project.

So thank you again so much for your time today. I just appreciate the value that you're fixing to bring. I know you're going through just for more conversation, and in what I know about you so far. But give the listeners a little more about who you are, where you're located, and what your focus is.

[00:01:23] EO: Okay. So, again, I got licensed in 2003 in Miami. Due to family reasons, we moved over to Las Vegas to be closer to my in-laws; my mother-in-law who was getting sick and

stuff. So we moved over here. I got licensed over here. I joined a team for a couple of years, while I learned the Vegas business because I knew the Miami business. So I wanted to know Vegas a little better. In 2015, I went out on my own. 2017, I became the commercial director. Now, my focus is mainly multifamily and developments. My real estate team does the residential and smaller units.

[00:01:58] WS: Nice, Okay. So, I mean, you've been in the real estate industry for a good while now. You've had some success, and you've pushed obviously to become the top agent. Is that right? Their top producer?

[00:02:09] EO: Yup. Agents in our office at this point. Like I said, one of the benefits of being a top producer in your market center, if you hit a certain number in revenue, you get to open up your own office. Rather than just speaking about investing, we actually bought the building where we're in now. So we also are investors, and we're also in the market to always invest and look for opportunities.

[00:02:34] WS: I'd love for us to talk about the 160-unit project that you and I discussed a little bit. I don't know many developers, many people that are developing deals in Vegas, so this is a great opportunity. Could you give us some details about that project maybe early on and what the plan is, and we'll dig in a little bit?

[00:02:53] EO: Okay. So I had a group of developers from California looking for an opportunity here in Vegas. So right now in Vegas, the up-and-coming area is the southwest part of Vegas. We found a track behind a development that sells for about \$600,000 a unit. We found a five-acre track that was entitled to build 160 condos on it. So we're building actually 160 condos. 109 are going to be two-bedrooms, 41 one-bedrooms, and then 10 two-story all-glass enclosed three-bedroom units overlooking the strip. They have a direct view of the strip, the new Raiders Stadium. We're taking this development from the dirt, all the way up.

So it's been a little challenging, because it's a new venture for me as far as the development world. I know multifamily world, but I definitely am learning as we go on this part of it.

[00:03:44] WS: So what are some of those challenges that you faced going from multifamily to developing a project like this?

[00:03:51] EO: Well, the challenges are that you have to surround yourself with a good team. I think in anything that you do in real estate, whether it's investing, whether it's learning, it's — surround yourself with a good team. So some of the jargon and some of the conversations we have with the developer himself, with the architect, with the contractor — you're finding out like, for instance, one thing I didn't even know existed was wrap-around insurance. Wrap-around insurance is what the contractors require on the development, that's condos, not apartments, because it covers them for all the units for an insurance policy for 10 years.

[00:04:27] WS: Wow! So wrap-around insurance. I haven't heard of that before. Anything else about wrap-around insurance that we need to know? Tell me again, why that's important.

[00:04:37] EO: Well, wrap-around insurance, it's — when a contractor is building apartments, it's one owner that owns all of the apartments. So if there's a claim, you deal with one owner. When you build 160 condos and they're all individually sold, now you're dealing with 160 owners. So the wrap-around insurance is an insurance policy that covers any construction defect for the first 10 years of the project. So it's important. If they were building an apartment complex, you'll never hear about that, and they'll never ask for that. It's only on the condos, because the liability is much higher. Now, you're 160 potential owners.

[00:05:13] WS: Wow! Okay. That's a great piece of information there that I wouldn't have known. Otherwise, I would ask you about. So I appreciate that. Any other challenges that we can elaborate on that you've experienced going from multifamily to development?

[00:05:27] EO: Yeah. The biggest thing in getting the right team in place, because there's things that come up that we take for granted as investors and as people that look in real estate is — now you're putting in a project of 160 units. Is there enough electricity? Is there enough water coming in? Is there enough sewer? If not, how much is it going to cost to change that infrastructure now so that you can actually build those units there?

The same thing goes with multifamily. Sometimes, you start remodelling multifamily units. Do you have enough power if you're adding units, if you're doing certain things? It's those things that we take for granted, and you have to dive deep into and try to get the answers to, before you start.

[00:06:08] WS: Okay. So, I mean, having the right team, it doesn't matter what kind of business it is. It's so important. I mean, our team is just crucial. You couldn't do any of this without them. As far as the local governments or permits — anything like that that you've learned or anything that's a bit different maybe in Vegas that we should know about?

[00:06:28] EO: Yes. So the permitting process in Vegas is get your plans ready for construction. You submit them. Then it goes to like an advisory board. They now look at it, and they start going to the individual departments. So the key is to have the architect that has connections within the city to speed up the process. Right now in Vegas, permits are about six months out. So it's quite an undertaking to get into permits. If they return it, we're going to add another six months, because they don't start where you left off. You start all over again.

So having the right architect, contractors that know the city, that know what they're looking for, they can anticipate any changes, any issues that are coming up. Simple rules, like now, they've changed the rules in the City of Las Vegas. Now, they want sprinkler systems in the units. We have to make sure that those are already built into the plans. If not, that's going to start all over again.

[00:07:22] WS: Wow! So it takes six months. Then if you don't get it correct, then another six months. I mean, that's — My goodness, you better have somebody on your team that's done this before.

[00:07:33] EO: Exactly. So the architect we use has been in Vegas doing this type of construction for 30 years. The builder we're using as recently just completed a 200-unit building. Some of the challenges with the building that we're doing is there's going to be some underground parking, because it's so hot in Vegas. So we're doing some underground parking because of the size limitation. So the structure and how — There's caliche underground. So how much caliche? How deep do you have to go?

[00:08:01] WS: Now, what is that? What is that underground?

[00:08:03] EO: Caliche. So it's a type of rock that's very dense, very hard to go through. It has different grades. So depending on the grade, it's either easy to get out or very difficult to get out. So those are some of the challenges. Also, it's having the right team that knows, "Okay, this is what we have underground. This is what we can anticipate. This is how far I think we can go down without running into any issues." So those are all the issues that come up when we are doing a development.

[00:08:29] WS: Okay. Yes. I mean, even the rock. I mean, even things like that. If you're not experiencing this, there's no way that you're going to know that, even the experienced in that specific area of the country or Vegas. I'm not sure how far where all this rock is. But if you didn't know that, that could relate into some big problems or setbacks.

[00:08:49] EO: Definitely, definitely. Since Vegas is actually in a valley, there's rock everywhere around us. So the contractor that we're using and the architect, they know where the pockets of the tougher caliche is, and they can almost tell you by the street like, "Oh, from this street, stay over the west of that, because that's where it is or on the east of that is going to be okay." So those are some of the challenges that we come up with all the time.

[00:09:12] WS: So how long will it take to complete this project?

[00:09:16] OE: It's a 24-month project, start to finish. We're currently in the process with the acquiring the land and going through our due diligence on the land. Due diligence is the most important in every real estate transaction. It's making sure you get what they say you're going to get.

[00:09:32] WS: So during that due diligence process of the land, that is so important. So that's where you're going to be looking at the zoning and the permits and then the rock and all these things you're discussing, right? So that way, when we can move forward with this, we're ready to go.

[00:09:46] EO: Right. So part of our due diligence, we're looking at the land itself, what's on there? We're doing this phase one environmental, phase two environmental. Making sure we have the environmental studies that we need. We're looking at traffic study because that's going to give projects how many entrances and if you have to have any turnouts for that particular subdivision or the condo units. We're looking at the power grid. We're looking at water. We're actually checking with the neighbors, because it is near a residential to make sure that they're going to not try to block this project. So there's quite a bit that goes on during the due diligence phase.

[00:10:20] WS: So what are you looking for in a traffic study? Do you hire somebody to do that? How do you do that?

[00:10:25] EO: Yes. We hire somebody to do the traffic study. There are several companies that do that here in Vegas. What we're looking for is — what's the density makeup of the neighborhood and how many cars travel. How wide is the street going to be? Is there any provisions in the future for the street to get wider to maybe instead of having a two-lane, make it a four-lane street. Because what's going to happen is we're going to add with 160 units anywhere from 160 potential to 320 potential vehicles not traveling that road all the time. So what does that do for the rest of the neighborhood? What is the impact on traffic for schools? The need for schools in that area as well. So it does all of that. It encompasses everything that we need to know about the actual demographics of the area.

[00:11:10] WS: You mentioned power grid. What are you referring to there, and what do I need to know about that?

[00:11:16] EO: So the power grid is basically what the power company has already allotted for powering that area. So from the makeup of the land when the power companies are setting up their power for that area, they know how many transformers they're going to need, what size of transformers, and how much power they're going to have to have coming into it based on the area. So now, adding 160 units, three pools, some other areas that we're going to have in the entertainment areas in the complex. How much power are we going to be needing? Do they have enough or do we have to now pay to upgrade the power in the neighborhood so that we can substantiate the power that we're going to be needing?

[00:11:55] WS: That's probably not a small task.

[00:11:58] EO: No. That's an expensive task to get done and very difficult, because we just got to make sure you kind of have an idea of what you're building and how much power everything is going to take to make sure we can run it, because you don't want to build a building and then not have enough power.

[00:12:14] WS: Do you know yet if you're going to have to do that or not or if there's enough power already?

[00:12:20] EO: We are going to have to upgrade the power. We've already found that out. Upwards between half a million to three quarters of a million dollars to up the power in the neighborhood.

[00:12:29] WS: Okay. Then the deal is still worth it. I mean, it's still worth it even with that expense.

[00:12:35] EO: Yeah. So we figured our numbers — what we did is we ran our numbers based on what we think the units are going to be sold for, what the construction cost is. Then there's about a 10 — 15% just-in-case fund that we have in there. Okay, if we have to do this, if we have to do that, if we don't, great. But if we do, we have the money for that.

[00:12:55] WS: Nice, there's always stuff that you just cannot plan for, isn't there? I mean, there's always something that comes up, so you better plan for the unexpected, right?

[00:13:04] EO: Yes. In real estate, every transaction, whether it's a residential purchase, a multifamily, a development, there's always things that you didn't think about. It just always is. No matter how experienced you are as an investor, something always slips by, so you always have to have a just-in-case fund.

[00:13:22] WS: So how did the power or the, I'm sorry, traffic study turn out? I meant to ask you about that as well.

[00:13:28] EO: They're still working on it. We may have to have a couple of turnoffs based on what we're looking at now, because they are developing. I don't know if it's a disadvantage or advantage of being one of the first large developments in that area, is yes, you are the first large development. But some of the stuff you're going to have to take on as a developer. So you're going to have to try to widen the roads, have some extra exits off of the main road into your development, because you have a lot of traffic. You can't hold up traffic, you know, if you have a gate in your way for everyone to get into your gate. So things of that nature. But it's looking like we're going to [inaudible 00:14:03].

[00:14:05] WS: Nice. So you also mentioned this third thing was preparing the neighbors or we talked about preparing the neighborhood or asking the neighborhood questions. I'd like for you to talk about that a little bit. What's that process look like and even the response that you had?

[00:14:21] EO: Okay. So the process of holding town meetings and talking to the neighbors and saying, "Look, we're going to build this here. We had the permission from the county, but we want to get buy-in from you as the neighbors. We don't want you to all of a sudden start selling your houses super cheap to get out of the neighborhood. You don't want this part.

So one of the things we did is on the front side that we are actually facing the strip and the new Raiders Stadium out here. That's going up four stories. Then the 10 penthouses are going to be five stories. On the backside, we got up three stories and we're going to build up the fence on the other side. So the people on the third floor can't see into the backyards of the single family home behind us. So it's kind of reaching a middle ground saying, "Hey, we're not here just to start building and we don't care about your opinion. Your opinion is important. What can we do to make you feel comfortable in this development?"

[00:15:20] WS: How was that received and what kind of responses did you get?

[00:15:25] EO: Their main concern originally was building up five stories overlooking, because then it doesn't really matter what they have. If they have a pool or whatever, they're going to be right over them. So the happy medium getting to three stories and then having the balconies

have a lip as well, so you're not just looking right into the backyard. They were very happy that we came to an agreement on that.

[00:15:46] WS: Okay. Any other issues that came up like with the neighborhood or the neighbors that they were concerned about or could have even stopped the project that you all had to overcome?

[00:15:58] EO: No. The largest one was that they just didn't want us looking into their backyards because of privacy. Especially if you have a pool on that back fence line right where our condos are, you really don't want to have condos looking over. They were concerned about it being a more luxury type product, because they didn't want just apartment buildings and people coming and going all the time. So they were concerned about that. So they kind of wanted to see what we were looking at building. So we actually had to build a model for it. So we built a model for it and showed them what it's going to look like. We've been working with them closely to make sure that everybody's on the same page, and everybody's happy about what's going up there.

[00:16:36] WS: So 24 months to finish the project. Is that till it's completed? Then how long after that do you plan to have the units sold and how long do you think that will take?

[00:16:46] EO: Well, we've started doing pre-selling. So we've already got a wait list of 60 people, and we haven't done a lot of advertising. We've come out in a small magazine locally in town and just having people register through a website. So we're anticipating that we'll be sold out at the 160 units, because we're going to start selling once we get the permits pulled. Once the permits are pulled, the construction starts. Then we'll actually start putting contracts on the units and we're anticipating to have them sold within six months.

[00:17:15] WS: Wow! Six months from like now or six months from the time that the properties are complete?

[00:17:20] EO: No. Six months from the time that we get our permits. So we're about six months away from permits.

[00:17:24] WS: Okay.

[00:17:26] EO: So we'll be able to sell them. Then in 18 months when they close after the first six months, they'll be ready to go and they'll be ready to move in.

[00:17:33] WS: That's impressive that you have them sold long before they're completed and things like that. But what you know from your experience with multifamily and now that you're beginning this large development project, what's going to be your line of focus going forward or can you see doing both asset classes or do you have one that you prefer over the other?

[00:17:54] EO: I can see to continue to do the development family, because most of what we're developing is going to be multi type. So it's going to be their condos or apartment buildings. So we're definitely going to stay along that line. I love the multifamily niche product. I love seeing people start getting into from 4 units, into 6 units, into 10 units and start growing their portfolio and doing that. Yeah, I love the multifamily unit.

[00:18:20] WS: What's really been the most difficult part of the syndication process for you so far?

[00:18:24] EO: Getting everybody to understand that when you're moving from residential into multifamily, it's tough. It's a different animal. So there are things that on the single family side it happens all the time. You have an investor that buys one house, rents it out or his primary house. Buys a new one and rents their house out. So now they're an investor. They have a property. They self-manage it. Maybe there's not a lease in place. It's a different way to run a business.

When you start getting into multifamily, 7 units, 10 units, then you get investors that are looking to purchase those. In opportunity zones, they know what their return is going to be. So what they're looking for, something simple like a trading 12-month of the property. Most residential investors don't carry that. How long are the leases? What do the leases look like? What are the increments, the increase you're going to have year over year? That's what commercial investors are looking for, where residential investors really aren't paying that much attention to that part of it.

So I try to partner them up and try to help them find somebody that can help them in that realm that knows a multifamily and knows the commercial at least for the first couple of transactions. So it's so much easier if somebody knows that and understands that particular field versus a residential.

[00:19:36] WS: Interesting. No, that's smart. I mean, it's all about education, right? Educating our investors. So what's a way that you all have recently improved your syndication business that we could apply to ours?

[00:19:47] EO: So we hold monthly meetings with our different partners where we're showing them what is available, and we're doing – starting to do online videos on purchasing and how to purchase and what are the steps, step by step, to try to get more people into real estate.

I mean, real estate is a great – I've been in it for 15 years. So I've been in through the high, through the low, through the high, through the shift, through whatever you want to call it. I've been in it. Real estate is great, because you can only make so much real estate. Really, you can't make more, but you can't just say, "Well, there's an ocean there. Let me just make a land and all of a sudden start building it." So we try to hold monthly meetings to try to get people to network, meet each other and hopefully put together some deals.

[00:20:34] WS: Nice. Okay. So, yeah, monthly meetings. It's important. Important that we are getting together with our team.

[00:20:40] EO: Yes.

[00:20:40] WS: So what is your best advice for carrying for or taking care of investors?

[00:20:45] EO: Number one, always make sure that you give them the correct information, and be the source of the source. Don't try to be the smartest guy in the room, which I'd never tried to do. I always make sure I have somebody else that's advising me that I can say, "Okay, this is what I think. But let's talk to this person."

If we're talking about something about structure, let me talk to a structure guy. I'm not going to sit here and give you advice on something that I don't know. Let me find somebody who's smarter, better and specialized in that area. So that way we're all comfortable going forward.

[00:21:15] WS: Nice. What's one thing that's contributed to your success?

[00:21:19] EO: Just tenacity. Just keep going. Because real estate deals are – some are going to make a lot of money. Some are going to make no money. Some are going to just break even. But just keep going. Then I'm a firm believer in never risk money unless you're comfortable going forward that you know what the outcome is going to be.

So like I said, we're doing the due diligence period. So I always stack my deals where I have enough due diligence to make sure we get everything we need prior to money going hard. Because sometimes people fall in love with the property and maybe it's not the right property.

[00:21:54] WS: Yeah. You can't get emotional about it, right?

[00:21:56] EO: No. No, you can't. You have to just move forward and make sure that you're looking at all of the possibilities. As long as we do that, I think everything works itself out.

[00:22:06] WS: You've been a great guest, and I've really enjoyed learning about this development project and different things that you've learned, really, of the challenges that you've had through that process. But before we have to go, tell the listeners how you like to give back.

[00:22:18] EO: So we give back several ways. So we give back to our community based on per transaction. So we give back to five organizations every single time. We also volunteer our time. We are Tocqueville members of the United Way. We also give to St. Jude's, Wounded Warriors. We pretty much run the gambit. We do a pop-up that they do here in Vegas for feeding the homeless once a month. Our whole team goes out there and participates once a month helping feed the homeless.

[00:22:49] WS: Wow! Tell the listeners how they can get in touch with you and learn more about your business.

[00:22:53] EO: If you'd like to get a hold of me, you can always go to ed@oarsigroup, which is O-R-A-S-I, or give us a call at 702-860-7087.

[00:23:05] WS: Awesome, Ed. Thank you so much.

[00:23:07] EO: All right, Whitney. Thank you very much for having me on your show. I really appreciate it.

[00:23:10] 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 see the latest episodes. Lastly, I want to keep you updated. So head over to lifebridgecapital.com and sign up for the newsletter. If you're 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]

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