EPISODE 347

[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 Buck Joffrey. Thanks for being on the show Buck.

[0:00:31.6] BJ: Thanks for having me, Whitney.

[0:00:33.0] WS: I'm looking forward to this conversation Buck. Buck is a surgeon turned entrepreneur and professional investor. He's the host of the wealth formula podcast and author of an international bestselling book focusing on financial education for high paid professionals. Buck, thank you so much for your time, give the listeners a little more about who you are and your focus right now?

[0:00:53.1] BJ: Yeah, you pretty much nailed it, I am an ex-surgeon. I finished my training about 10 years ago but I only practice probably about seven years during that period of time, got really interested in real estate and other kinds of private investments. And so really, I think, gave myself an opportunity to leave medicine pretty quickly, right? After seven years of being out of residency training and then ultimately focusing on being a professional investor and the syndicator.

[0:01:20.3] WS: Why multi-family, why syndication?

[0:01:22.8] BJ: Well, I mean. So, listen, I think the answer to that is multi-focal but in terms of why syndication, I think for me, the interest initially started with real estate and real estate acquisitions in general, which I had started doing on my own initially. I had a lot of luck early on, which I also contributed to my ability to leave medicine early.

I had a lot of people who were interested in potentially investing with me and that was something that was new to me, but I realized pretty quickly as there was no reason why I couldn't do something at the same type of thing and it be much higher level. Rather than taking down two or three million-dollar buildings, we're talking about taking down 25 or 30 million-dollar buildings, you know?

That's why I went in to the syndication route ultimately.

[0:02:11.1] WS: Nice. You know, so, would you share with the listeners a little bit about what you and I were talking about before we started recording and even up to your ability to raise capital now and how you've grown so quickly. I'd love for us to dive in to that, I know that they would love to hear that.

[0:02:25.2] BJ: Yeah. First of all, what is syndication? I think that's one of the questions that I think is really important for people to understand. When I first started thinking about the business of syndication and how that looked. It was very different from what it ended up being in reality. I don't know about you.

You know who Ken McElroy is?

[0:02:43.6] WS: I do.

[0:02:44.2] BJ: Ken McElroy, real estate advisor to Robert Kiyosaki. Ken, I'm an investor with Ken, limited partner, but I've also gotten to kind of be friends with Ken in the last few years. And he comes to my events and what I realized about Ken was, you know, when I used to look at him, I used to think that he was a one-man show, just a Ken McElroy show, right?

But in fact, it's not quite like that. There's an entire business behind Ken and MC Companies. It's not a one-man show. What is syndication? Ken McElroy is not syndication. Ken McElroy is a company; MC companies is a company that acquires and operates real state on behalf of its limited partners.

Syndication, specifically is just the act of raising capital, right? And so, I bring that up because pulling these things apart is really important to succeeding in this area. If you are in this space, you are going to have a hard time if you're a one-man show, right? If you invest with Ken for example, you know, you go to mccompanies.com and you sign up as an investor, you're not going to talk to Ken right there. You have like an acquisitions team, you have, you know, you have people who are onboarding investors, you have Ross, who is Ken's partner doing all of the financial side of stuff.

So, my point is that understand that syndication is only one part of the business of acquisitions and management of whether that's multi-family real estate, whether that's self-storage. Whatever the cases may be. Now in my case, understanding that syndication is about raising money and not about a specific asset gave me a lot of freedom.

Because I said, well, listen, "I am interested in acquiring assets. I'm good at due diligence, but I don't really want to do due diligence. What I want to be is, I want to be a guy who looks at deals. I'm a deal guy. I like to look at them, et cetera, find them and if I'm interested in them for whatever reason, I can raise capital amongst my investors because my investors have a level of trust in me."

So, what's that given me is the opportunity to be sort of on the frontlines, curating opportunities and partnering with good operators and raising capital. So, I've carved out a niche for myself in that whole dynamic, that whole business and that's what's been able to make me successful.

The people who I think have a lot of trouble in this area are the people who can't wrap their heads around it. Syndication is not about both being the guy who walks 500 units to do due diligence, who is flying around the country doing acquisitions who is doing the spreadsheet and absolves for raising capital. That's – you're never going to get anywhere doing that, just not going to get anywhere. You think that's what my take away on those.

[0:05:31.2] WS: No, I love that answer too because it is a team sport. I mean, no doubt about it. Even talk a lot to people, a lot of people ask about hiring VA's and how we've been successful, even using VA's as part of our team. You know, I'm just like, as soon as you can hire one, because it is a team sport, you know? It is a team sport and I love being able to be focused on certain things and even you know, my partner, just like we're talking about, having a partner that's focused on other things. And so, we can do those rolls much more efficiently and get a lot better at them and provide a lot better service as well to our investors.

How did you find your niche, you know, how did you do that? I think it's important to be able to do that and think about that early on.

[0:06:12.9] BJ: Yeah. I mean, for me it was somewhat easy in the sense that listen, I'm a physician. I'm a surgeon. And I was successful in alternative assets and real estate and some of these other things. And so, there's not that many people like me. And then on top of that, it actually started not with the intention of raising capital but in the intention of my podcast, Wealth Formula Podcast is a completely financial, it's an education-based podcast. It's not just about real estate, it's about the economy, it's fine art, it's about collector cards, you know, it's about all sorts of stuff.

But it's really focusing on a group of people that I guess I used to be one of those people, right? It was easy for me to talk to that person because I know what they're interested in and I know that they're not and it's really fun for me. And so, I actually started that podcast with zero idea that it would end up being a source of investors, but the request started rolling in to me and then now it's become much more systematic on how that works. But I think finding the avatar and who you're speaking to first and you know, I think at the end of the day, everybody invest with ideally with people who they know, like and trust is giving an opportunity for people to know they can trust me and understand how I think, which is really important.

[0:07:33.2] WS: I like that a lot. You know, all that you shared, if you're willing, just like before we started recording, you briefly mentioned like the number of accredited investors and how much you've raised in the last 12 months. I think it's incredible. I don't know very many people, you know, that have done that and especially in this – in a very short window since you started

doing this. And you know, congratulations to you as well but I'd love for us to kind of hash that out a little bit in how you got to that level, how you started doing that, you know, within these last 12 months and what you've accomplished?

[0:08:00.7] BJ: You know, so, I've been doing the podcast for three years, been trying to – I just get the idea of raising capital, maybe at about two and a half years ago, I started something on wealthformula.com. I just put a little icon there that said accredited investor club. If you're interested in looking at stuff and private placements then click here and if you meet these criteria then, "hey, you're part of the club." And who doesn't want to be part of the club, right?

That's the way it started and then the first year was really slow and it wasn't because I didn't have capital raised, I probably could have raised a lot of capital. I just didn't have anything I would ever invest in myself, right? So, if I would invest in something, I'm not going to pick anybody else's money and have them invest in it without me. So, I couldn't find any deals.

But really, I have a couple one main partner, a couple of other sort of minor partners that I really, really liked and who I felt like a very comfortable to put my own money in with a lot of my own capital into those operators and ships. And so, having that ability to have deal flow right now is really what's key and so, it really just helps me to sort of at that point, you know, raise whatever capital is needed.

In terms of how much, yeah, it's been – it's a tricky thing because you don't want to – I don't think that how much money you raise is necessarily a badge of honor because you have to make sure that you're also putting your investor money into things that you want to put it in. But placed probably about 70 million dollars in the last 12 months and that's you know, coming from a group of about a thousand accredited investors. And yeah, I mean, probably active, I would say probably maybe 400 of them are really active.

So, only 400 of them came up with about 70 million bucks in the last 12 months.

[0:09:54.0] WS: You know, I think having that club is a great idea, you know? I can see how people want to be in the club, right? You know, it's a special thing. And so, you said, the first year was slow and then you know, what really made that start to take off for you?

[0:10:06.4] BJ: Just finding the partners. I think I probably could have raised, even at that first year I probably could have easily raised 20, 30 million dollars if I actually found the opportunities that I thought were people's money, but I just didn't find them.

[0:10:22.0] WS: So, tell me now, how you continue to make that, how you continue to grow that database, that club?

[0:10:27.6] BJ: It's funny because I don't really market it. The one thing with syndication that I knew it was going to be very difficult for me when I thought about doing it as a business was, I never want to ask anybody for money. Just not the type, right? I'm just not the guy who says, "hey, why don't you join me in this?" It's just not my thing, it's just kind of – it feels weird to me, it's awkward, right?

But I think for me, it's really quite simple. I talk what I talk about, people learn how I think, more and more people listen to my podcast and if they like the way I think, they begin to trust me and they join the investor group. It's not – you know, I never go out there and say, "hey, you know, invest in my deal. I just don't do that."

I get people who come to me and they say, I want to invest in stuff and then we have webinars and there's opportunities and if they want to participate, they participate. And so, the beauty of it for me is that I'm putting things out there that I can stand behind and that I'm putting my own money into and I only offer opportunities, which I think are compelling for some reason and it's very easy for me to talk to people about something when I truly believe in it like anybody else, right?

But to your point, at the end of the day, it's all about something completely different, you know? People who are syndicating and doing multi-family, you know, you see ads for opportunities and reg D506(c) and having proformas and stuff. I don't do that. Everything we do is reg D506(b), you have to be in my group before you ever see a deal.

[0:12:10.9] WS: I like that. I mean, just them being in your group, you're showing that you had some previous relationship and that you've had some communication with them. And that's

awesome idea and then you're helping educate them I assume through the group as well. You know, how are you doing that?

[0:12:24.3] BJ: Well, all of our webinars first and foremost are educational. I think whenever we have an opportunity. We'll have somebody, the operator, maybe he's talking about a specific deal, but I'm on the webinar every time and I'm talking about things I like about and I'm explaining things, explaining how things work and explaining why I think things are good, you know? It's not just a guy with a bunch of stuff on a screen telling you what it is.

It becomes more of a conversation; it becomes more education. In fact, I will say that I really believe that if just even watching our webinars, I think our investor group has gotten very sophisticated. Because we talk about a lot of the same concepts over and over and how to look at things, as a limited partner. And so, they become very demanding, but that's good.

Because it's just you know, at the end of the day, you want people who invest in your offerings to believe in it the way you do. You don't want a bunch of lemmings because if you have a bunch of lemmings and something for some reason goes wrong then they're not going to be very understanding about it.

[0:13:27.7] WS: I don't want no surprises, either. I don't want to be six months in and then thinking there's something that I didn't share with them. I want them to understand the opportunity completely. And so, is there a specific asset class you're looking for, what is your buying criteria?

[0:13:40.6] BJ: Well, mostly. I think probably about 90% of what I'm doing it is multi-family real estate tends to be sort of value add, heavy value-add. B minus C plus focused on really only high-quality market. So, Dallas, Houston, we have a huge footprint in Phoenix, Scottsdale though we haven't done something there in a while. Atlanta, I don't do tertiary markets, I just don't believe in going anywhere where there's artificial growth because people are chasing yield.

Quality assets in quality areas. You know, I like multi-family in part because I grew up with multi-family. I understand it. You know, I feel very comfortable with it. But I think, in terms of what I am

really rigid about is that I don't buy in to the buy and hope model in other words, I don't think we're in a good environment for that right now, where you buy something and just hope things continue to go up in price and rents continue to rise.

I think you have to really go in there with a plan of driving and operating income based on really good analytics, really good data and then driving income into these properties and if you get lucky and the market still happens to be headed up or is an upward trajectory, when you want to sell then that's icing on the cake but that's how I would describe our acquisitions.

[0:15:06.9] WS: What's been the – is the hardest part of the syndication process for you?

[0:15:10.5] BJ: It's a good question. I think sometimes you just want to make sure that I just like to make sure that investors, before they invest really understand the deal, right? After a while, if investors start believing you and trusting you, they'll start – they'll a lot of times invest in pretty much anything that you do. I have people like that, but – I let them do that because I also know they've been around for long enough to understand, they have a level of sophistication and understanding what they're getting into.

But I think having people actually who are too willing to give you money, so sometimes is a problem and you need to be aware of it and it's sort of counter intuitive as a syndicator, but you have to make sure your – everybody is aware of the plan. Because sometimes it can be a pain. I mean, we'll have opportunities where we know that there was no real plan for a distribution in the first year and then if you get an email from an investor four months later saying, "hey, I haven't seen a check yet."

"Well no kidding, go back and watch that webinar." It'll just drive you crazy. You just get on and make sure everybody understands.

[0:16:19.3] WS: Is there a tip you can provide there, how you make sure that everybody understands things like that. Are there outside of just doing a webinar?

[0:16:27.3] BJ: You know, I don't know that there's much you can do outside of the webinar. I think that you know, the nice thing about a webinar and a nice thing about things that are

recorded are that oftentimes, what you can do is A, “here’s a link to the webinar so you can go back and watch this but just so you know, during this talk at this point, we said this.”

And so, you’re providing not only, you know, you’re telling them the way it’s supposed to be and then our showing them also because you have recorded this is what I told you, right? Go back and listen to it, yeah.

[0:17:02.8] WS: Is there a way that you’ve recently improved your business that we could all apply to ours

[0:17:07.9] BJ: Well, I don’t know that it’s recent, but I think the biggest tip that I can give everybody out there is what we talked about again. You have to understand what your niche in the business is in this whole business of acquisitions. And you know, running a company that we’re running, whatever company it is that you do, you know, are you a deal guy, are you a guy who has got a recent capital? Are you the guy who is really good at due diligence?

I think, trying to identify what it is that you’re really good, usually something that you really like to do. And then I think really just understanding what your weaknesses are and then finding people as partners to do that because I think the challenge is people get sometimes get greedy, I think, “well gosh, you know, if we get too many partners and then we’ll get paid less and all that.” But you know, first of all, you’re going to do a much better job if you have the right team in place and second of all, I mean, you can do a lot more deals, right?

Like I said, we’ve raised probably about 70 million in the last 12 months. I mean, I couldn’t do that if II didn’t have substantial team to go out there and execute all this.

[0:18:24.8] WS: Couldn’t agree with you more. I think it’s very important early on exactly what you said, learning about or figuring out what your niche is going to be, but thinking about your strengths and building that team to fit those things that you’re not good at or maybe just saying, she just don’t want to do or like to do.

That’s great that you’ve been able to build that kind of business and one thing I thought you could probably speak on that I know is a big topic in the industry right now is finding – you know,

were thinking about and we don't have time, a lot of time to go into it in depth probably. But I thought you could speak on finding those key partners like that and how you've done that because I see so many people who are just so quick to hop on a deal. They know nothing about the deal, they haven't seen the deal.

You know, but they're so anxious to get that first one done, right? But they know nothing about the team or the deal, they don't know that due diligence, but I thought –

[0:19:12.9] BJ: You think that's a major problem actually.

[0:19:14.4] WS: Yes, I agree.

[0:19:15.4] BJ: I think it's a major problem in the space. I really do and I think the problem with it is that it's very short sighted, you know? There are people who basically will find like one guy in the community who has got a bunch of deals and a bunch of deals and they're all raising as much as they can and bring it in and getting a piece of the pie. There's so many problems with that.

First of all, it's not legal to do that. You know, people maybe fine but that is something to consider is you know, you're breaking SCC laws and things like that when you do things like that. But the other thing is, remember, the first years, I probably could have raised you know, 20 million bucks the first year, I didn't do that. I raised maybe a couple of million for a small deal that I thought was worth putting in front of people. And I think people will understand over a period of time who they can trust and they can't. I think if you are in a situation where you don't even know the team that you are putting yourself behind, it is going to come up pretty quickly and the other thing is reputation matters and you know, brand association matters. I've purposely stayed away from some of the operators that seem to be in the middle of every syndicator is dealing with the specific operator or something.

I usually don't like to deal with those operators because invariably somebody somewhere is going to do something that is not going to turn out well and I don't want to be part of that. I don't want to have brand association with that but I think from a long-term perspective, being hyper

protective of your personal brand at the expense of profit right now is really, really in my opinion a very, very sound thing to do.

[0:21:00.3] WS: Great advice right there, hyper protective for your brand. That's awesome and thinking long term, I appreciate you mentioning that too. I think it is very short sided, short vision thinking about just getting in this deal and getting this done and these investors, you and the investors are tied to this operator for the life of that deal. But yeah, thank you for sharing that.

[0:21:20.6] BJ: Well if you want it to be your career too, I mean if people don't keep going back to investors when they lose money. They just don't.

[0:21:27.3] WS: Right. What is your number one top thing for caring for investors and how you stand out in that manner?

[0:21:34.6] BJ: I think transparency is really important and I think when you deal with an operator, you have to make sure that your investors are getting the best possible opportunity. There are certain things that I won't do like for example, I don't do sub-syndications where there – I am heading some limited partnership into general partnership so that I can take off a piece of the LP and take it with me. I don't do any of that. I want people to have the best possible outcome whether they invest with my group or without me.

So those are thing that are important. I think just trying to again, not be stingy. Don't be evil and at the end of the day, just put your investors first. I do that and I do that because for me too it is very much in my conscience all the time is like you know I feel bad. I feel very bad when people lose money, so I don't want them to lose money and I want them to make money and so if you truly believe those things, you probably belong in this game. If you don't, you probably won't last for long.

[0:22:39.2] WS: So, something that we haven't talked about, what is the top one thing that's contributed to your success, Buck?

[0:22:44.8] BJ: I would say it's branding. It is my brand.

[0:22:48.1] WS: How do you like to give back?

[0:22:49.5] BJ: Well I think my giving back is my podcast, ultimately. It's not like I don't really make any money from the podcast and I have been doing it for a long time. Well, I mean three years is not a long time, but I have been doing it for three years and well before there was any monetization. And so, I think for me, doing podcasts that really have nothing to do with my syndication business, my podcasts sort of stand on their own.

They are about personal finance; they are about asset protection or tax mitigation or looking at other opportunities outside of multifamily real estate. So, I think probably the educational is probably my biggest giving back and the strength of the brand.

[0:23:33.3] WS: Well Buck, you have been a fabulous guest. I appreciate you just talking about how you have gotten to the place you're at now and just the importance of understanding the long term vision of being in the syndication business and the team aspect and finding those partners that crucial element by finding the right partner and so tell the listeners how they can get in touch with you and learn more about you?

[0:23:51.8] BJ: Yeah, I mean Well Formula Podcast, I am on there every week. It is on iTunes, Stitcher, the usual places and yeah, I mean if you're interested in just financial education that is really what it is all about. It tends to be focused at higher paid individuals. So, it is definitely a niche show and if that sounds like it is of interest to you then tune in.

[0:24:15.2] WS: Awesome. Thank you very much Buck.

[0:24:16.8] BJ: You got it.

[END OF INTERVIEW]

[0:24:18.0] 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

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[OUTRO]

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