

EPISODE 411

[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 Sandhya Seshadri, thanks for being on the show.

[0:00:32.4] SS: Thank you so much for having me on the show, Whitney. It's a pleasure to meet you and very excited to be here.

[0:00:38.7] WS: Yeah, I'm honored to have you on the show because you have a very compelling story that you got to share with me. We've met, we've spoken a few different times and I know a lot of the listeners are going to be able to relate to this story and are going to be inspired by it as well. But a little about Sandhya, she's been a Dallas resident for nearly 30 years. Multifamily investor in 2,500 plus doors as a general partner, key principal or limited partner. She has a bachelor's and master's in electrical engineering as well as an MBA with over a decade of experience as a Program Director of 80 million-dollar projects at Texas Instruments.

Sandhya, thank you again for your time being on the show and being willing to share your story and I know we're going to dive into it a little bit and help others that are in these – in similar shoes as well. Get us started a little bit and how you got into this business because I know it didn't start with just one day with a hundred-million-dollar complex. You know, get us started in your story.

[0:01:33.5] SS: As I said, as you introduced me, I was in the semiconductor industry at Texas Instruments and after that, I went completely into the stock market because of my MBA background. When President Trump took over a couple of years ago and I realized that he was paying zero in taxes, I figured out that every wealthy person I had ever met was all about real estate and so I need to get into it, I need to actually acquire some assets and investigate.

Spoke to some friends and I got started passively investing in multifamily. I started that over a year ago and the cash flow has been great. Every month, getting those deposits, investing passively without my having to spend my time out there on a property or getting calls from the renters who are dissatisfied or having to deal with all kinds of landlord issues.

It was really nice to get that passive income stream. That's what got me started. And once I realized this was such a wonderful business to get into and to survive from the risk of the stock market, I decided to actually join a syndication group that was based in Dallas because you know, that's where my home is, this is the market I know really well. I have seen empty fields transform into amazing cities here and I wanted to pick a syndication group that is based in Dallas, it has a strong reputation in Dallas. I get the network and I can scale up quickly.

[0:02:57.7] WS: How were you introduced to the syndication business because I found like, a lot of people you know, tell them about the real estate syndication business and it's like –they've never heard of this thing before, they feel like it's a scam like this is not possible. How are you introduced to it?

[0:03:13.1] SS: I was introduced through a friend again who was doing passive investments very well, very successfully, actually he invested a lot of property through Michael Becker who is famous in the Dallas area. Because of that, I also decided to invest passively. And when I heard about all the different groups that are based in Dallas, I went to a Rat Race event which was by Brad Sumrok and I was so impressed with the caliber of the people. I realized that there were already some people there who I knew to be real people, not scammers, you know? Who have actually done this, made money and I was like, "Okay. This is legit."

This is not some marketing pyramids theme or scam. These are hard assets. We actually got to tour properties and I realized, don't be – “These are real properties and I don't need to have 20 million dollars and to buy these apartments.” I just need to start with a small amount and so, passively, especially, the easy way was using my retirement funds because I had had so much money built up and my retirement from my years at Texas Instruments, that it just made a lot of sense to take that, roll it into an IRA that I could or solo 401(k) to avoid the UBIT taxes which you can get into separately.

That was like one of the easiest ways to have access to cash, to invest passively in real estate. Realize that there are real people doing this, this is not a scam and it actually works and makes money.

[0:04:34.6] WS: Yeah. Really, you went to a group of people who have already surrounded by these people and you could see that, “Okay, this is like – there's people actually making wealth doing this,” and there's no reason why you couldn't do it as well.

[0:04:45.9] SS: Yeah, surprisingly, there were so many of them with an engineering or IT or technical background and a lot of them were continuing to keep their full-time jobs and doing this on the side so to speak. Still building so much wealth that I was like, “This is a perfect place for me.” I just felt like I could fit in easily and add a lot of value based on my engineering background. I'm [inaudible 00:05:05] as an engineer. There's that.

[0:05:10.5] WS: You know, what about even before IT, I know you and I talked about like, you had food budget of like \$8 a week, you know? To where you are now. Can you elaborate on some of that and what you're willing to share?

[0:05:23.1] SS: Yeah, I grew up in India and I was fascinated by America like everyone else, the music and all of that. When I got to come here once on vacation, thanks to a rich uncle, I spent most of that summer in New York City and New Jersey and that area. I decided that this is where I wanted to come and live in my future or at least go to college.

At that time, my parents were making about \$75 a month income, they were highly educated but that's what doctors made back then. Because of the exchange rate. And the colleges I wanted

to come study at cost me about 50 to \$20,000 a year. You know, my parent's lifetime savings wouldn't have paid for that, you know? I had to find another way to come here and that's where standardized testing came into play and making good grades. That was my teens that that visit really influenced me to decide, "Okay, I really need to work hard to make this happen."

So I got the best grades I could after that, focusing just on math which was my strength so I decided to apply for engineering college and I came to a Southern Methodist University, SMU in Dallas with full scholarship because my standardized test scores and grades were so good and I got a good recommendation letter.

I basically went to college for free here in Dallas, after which I was able to get a job at Texas Instruments and then everything flowed from there.

[0:06:43.0] WS: Yeah. I love the mindset of like you know, "I can make this happen, what do I need to do to make it happen? We don't make enough money. My parents don't make enough money." Coming up really with an excuse. But wait a minute, there's a way for you to get schooling for free and you just jumped in and you really used your skills or you enjoyed math and used that to your benefit.

[0:07:04.0] SS: Yeah. I think that's what I tell people when I meet them is something might seem impossible, buying an apartment? I never thought some people could – ordinary people like me could go and buy an apartment, I thought it was meant for the millionaires and billionaires of the world because an apartment cost 10 million dollars. And it's like no, you can syndicate, that's how you go buy an apartment, you can have \$50,000 and you get, you know, 20 other people, that kind of money or maybe 40 other people and you put 20% down, 25% down and there you go.

And 80% of the money or 75% can be a loan with an agency. It can happen. And I discovered that thanks to going to a weekend seminar that talked about it. Yeah, it is possible.

[0:07:45.9] WS: Yeah, you're able to get your degree, you got a great job, Texas Instruments, you became an engineer. And really, successful career but then it's like, "Wait a minute," you

know? You were probably like most of us trained at the stock market is kind of like the only way, right? Where we're supposed to put our money because it's safe, right?

Then you see people like Trump and others you know, making wealth in real estate so, "I can do this too." You join this group. But tell us about like okay, you joined this group, you started surrounding yourself with other people that are in the syndication business and having some success. What was next? Or maybe to that first deal?

[0:08:22.9] SS: For me, for the first deal was mainly finding people I can trust to do business with, not just meet them one or two times and say, "Okay, you have the wealth, you're in this group, that wasn't enough for me." I really needed to get to know people and I needed people to want to invest in that Dallas area.

Knowing the market was very important for me and my familiarity was 30 years of living in the Dallas area. I wanted to stick with investments here and so I wanted to find a group of people who wanted to invest in the Dallas area. But ideally, if they were already in Dallas, I may not be as useful to them as a newbie so I try to find people out of state who could bring in the cash and the capital.

But then I could help them as boots on the ground and be in the Dallas area. So, if they were interested in a property here then I can go do all the property visits, talk with the property managers, be on site when needed for any major or to be done et cater, due diligence, you name it. That's how I was able to find this and actually, for my first deal, I was bidding in parallel on the same deal that some others from the Sumrok Group were also bidding.

Instead of outbidding each other and just raising the price of the property, I chose to join them and that's how the first deal happened. One of the big discoveries I made along the way with that is as I tried to raise money from people, I discovered that money came from the least expected places, you know? Most unexpected people gave me money. Like I was in PTA's, you know, as a mom. I have two children so I've been very active in PTA's over the past decade.

Surprisingly, people I met through PTA's, they invest in this property and then there's family members like the rich uncle, et cetera who have known me all my life, who wouldn't give a dime so it was just really surprising the way it worked out.

[0:10:09.6] WS: That's a great point right there, to really elaborate on a little bit because I tell people all the time, they say, "Well how do I get started raising capital?" I'm like, you started a long time ago. It's all about how you're marketing yourself, how you're talking to people, what about your relationships that you have now. That's a good example because these people that you've been developing relationships with, you know, at these meetings or get together for school events, whatever it might be. You know?

You may not have talked about real estate forever but all of a sudden, you know, you're in real estate and that you've already built that trust before you ever did this deal.

[0:10:41.5] SS: I was very surprised because I was discussing \$50 budget items with them with weekly meetings and then here's them investing, you know, \$50,000 with me on a property. I was quite stunned to see though, kind of people who invested with me and who didn't invest with me. But it all turned out well and the property's doing great.

That's a very important thing is you know, when you mentioned earlier about my food budget. When I came new to the US, my food budget was eight dollars a week, you know? With eight dollars, I knew how much I could get back in India because of the exchange rate. I was like, "\$1 is a lot of money, you know?"

I was able to go to places like the Sam's Club and get free meals and stuff, free sampling and that was enough for me to last. Those kind of principles about being careful with your money, it translates directly into asset management. When I get an estimate from a vendor, for a repair, my first question is, "why does it cost this much? What does the material cost, the labor cost? Why is it so much? And do we have two other comparable bids, you know?"

The things that you learned along the way, whether it's your job or your lifestyle, it can still apply to something like in multifamily. Budgeting is a very big piece. Once you acquire the asset and you raise the money, if you don't manage the asset nicely and carefully, you're not going to meet

those numbers. And so, your passive investor base, you need to give them the returns you promised and so asset management is a very big piece of it and that's what I am trying to become an expert on right now.

[0:12:14.0] WS: Good for you. I know that you had also invested passively, I think, in numerous deals and I'd love to hear, you know, when you were first beginning, how did you decide which deals to invest in?

[0:12:24.8] SS: I have a whole passive investor's check list now that I've doubled up that I can share with the listeners at some point. But one of the most important things actually is two main things you want to look at. One is the sponsor, who are you investing with, do you trust these folks? The second part is the deal itself. Within the deal, there's a dozen different things that you go into in depth.

But first, the sponsor, how do you know them? How well do you know them? Do you trust them? Because you might be giving them all the information about yourself such as your social security number and \$50,000 in money. How well do you know them? What is their past track record, how have they done before in returning the sponsor, the passive investors, their returns?

How well have their properties performed? How strong are the asset managers? Do you hear from them after they take your money? How often do they give you reports? There are so many different things but first, a background check is actually a great idea to vet your sponsor, it's nice that you know them, it's nice that they seem like this really great person. Do you know where they live? Do you know where they go if you lose your money, right? There's a whole long checklist I have about vetting a sponsor that I can share with you at the end of this session about it.

And then the deal itself, the market. The market is a very important thing as well and for me, I try to pick the ones in the Dallas, Fort-Worth area and within Texas because those are the markets I'm most familiar with. If you decide to invest somewhere else like North Carolina, Florida, they're all really popular. You name it, Georgia, Phoenix, there are so many other markets.

But you really need to know your markets and not just a general understanding or study of the market but within that market you know the streets like I know my streets of Dallas. If you told me that you were South of Dallas downtown and you had a great property there, I would really like to know your track record for handling high crime areas because I know those little submarkets in such detail that if you don't have a track record of dealing with high crime properties and turning them around and turning some neighborhoods around, I would hesitate investing a property there even if I know you really well as a great sponsor you know?

So really knowing your market is very, very important. And diversity of jobs in that market is so important. You know the Air Force base is a really great example, a lot of military base locations have very good apartment markets there. But if that base gets shut down, where are you going to go?

So, diversity of jobs, diversity of employments is so important. So, there is a whole long checklist I have for letting your sponsor as well as your deal, the financing, right? You could go into a financing of the deal itself then that is another whole topic to discuss about how do you vet deal?

[0:15:19.2] WS: Yeah, you wanted to tell us how to get that checklist as the end for sure or we could attach it to the shownotes either way. But I appreciate how you said the sponsor before the deal. I agree, I feel like the sponsor is so important And really getting to know them and ask them those questions just like you laid out in their track record and asking for some documents so like, "How have your properties performed? Can you show me some reports from previous properties?"

And you know, somebody was is asking me the other day about, "Can you show me documents from previous property?" And I'm like, "I am glad you asked," because so many don't. A lot of investors will invest and never ask for anything like that and I encourage that. I mean you should ask. You need to know as much about me as possible before you hand somebody that kind of capital. So how do you feel that like investing passively gave you the confidence to move more towards a more active role?

[0:16:09.4] SS: Passive investing, you learn so much. So, I did not have a real estate background prior to passively investing. A lot folks come from single family to multifamily but I was new to real estate. So passive investing showed me what kind of monthly reports the sponsors would send. When you first listen to a webinar or a presentation about the deal, they go over the deal in such detail, you make your own list from that. You say, "Okay this is really a good market."

Or "I don't really agree that that is a great market. It looks like there is only one employer." What is the medium household income over there? How strong is the sponsorship team? Do they have construction background? What kind of experienced background do they have to be able to sponsor this deal? How well do they know this market? Okay, this person is based on California but investing in Texas, how well do they know the Texas market as an example?

So, I feel that that's one of the best ways you can dell up your own checklist and say, "Oh I need to do all of these things while I sponsor a deal. I need to make sure I do this and this and this." I was very impressed with one group who presented all of their deals in a spreadsheet and by quarter, they showed how they performed compared to the pro forma and they have a few reds in there where they didn't need it and they have a solid explanation as to why.

And ultimately, they did turn around and fixed that problem. So, the passive investing again gave me so many insights into how I need to be prepared before I sponsor my own deal. All the things you have to get ready, the SEC compliance part of it. The financing. So it is one of the best ways I think to learn the business is get all of the rewards or much of the rewards without taking the risk as a passive investor before you take on all of that risk for every little thing that the sponsor, that keeps the sponsor awake at night.

You know whether it is sometimes an apartment catches fire. There is flooding, there is tornadoes. We had a tornado hit Dallas and some people actually had their buildings destroyed. So, you learn so much as a passive investor. I say it is the best way to get into real estate in multifamily.

[0:18:15.5] WS: So, what has been the hardest part of the syndication journey or process for you?

[0:18:20.6] SS: I think it is the mindset, I think it is the believing that I could actually go be a piece of a large 10-million-dollar property. It is just going from thinking in the 10,000 level to 10 million level, right? It is like, “how can I buy a \$10 million apartment?” So, getting the education and the knowledge gave me confidence but also realizing there are experienced people who will team up with you provided you are available and have the right mindset and can work hard and have the willingness to learn from them.

And instead of trying to negotiate, I want everything in equal share. You say, “Okay I am betting on your experience,” it kind of makes sense if you get a slightly bigger share of the pie in the beginning. But then I am going to prove myself to be useful and I will get my share on the next deal or maybe even in this deal slowly as I have proved myself. But to go in there right in the beginning as a newbie and a nobody and asking for everything to be equal, I don’t think that is quite fair.

Unless you are able to contribute equally so that would be my best thing for newbies is to be willing to be open, learn, roll up your sleeves and consider your first deal like an internship. You don’t get paid a whole lot but you get to hang up with the big wigs and really learn from them. Learn the business.

[0:19:39.2] WS: You really are getting paid a lot. It is just not in dollars, right? You know you have to really look at it. Yes, very much so.

[0:19:46.4] SS: And then the connection you have with them to go back later and ask questions when you are in your own deal, oh that is priceless. One conversation with an experienced person can save you so much money and time. So yeah it is priceless.

[0:20:01.3] WS: I like how you had some value and you found another team that needed the value that you had ultimately and you know the market there so well. So, hats off to you that is awesome. But tell me, how do you and you can answer this as an LP or a GP, how do you prepare for this potential downturn that everybody is talking about?

[0:20:20.7] SS: I think again having picked the right market in your apartment when there is a downturn. My apartment for example, with my investments are class B or class C apartments and so you just make your underwriting a little more conservative planning for this downturn. So, what is your breakeven occupancies for example? Maybe you delay some of the major repairs that you had planned unless they are needed for your apartment to really make the NOI increase.

So, focus on just the things you need to do first to help increase the NOI. And then defer other things and see how the market plays out. Also, for example, if you consider employers, colleges, those kind of diversity of folks that are living in your apartment, just go after those employers, right? So, if there is an economic downturn maybe more people get out of jobs would go to college. So, my apartment for example has three colleges within a 30-mile drive radius.

So, there'll be more people going to school, they will need housing. So, make sure you can cover the medium household and coming in with diversity and make your underwriting more conservative and you should be fine. So, I feel like even if you have 80% occupancy and you get your rent collection that should be enough for your apartment to sustain itself instead of requiring 90 plus percent occupancy to make enough to pay the bills. Those would be my strategies.

[0:21:45.7] WS: No that is good, good stuff. So, tell me though, what is a way you have recently improved your business that we could apply to ours?

[0:21:52.5] SS: Efficiency, I think like handing off more things to the property management company itself instead of doing it all yourself and wanting to call every vendor and all of that. Instead say, "I need three bids on this and this is my budget, tell me who you had experience with and just give me the report." And I am not going to go in there and making every one of those calls of trying to meet with those vendors and that really helped a lot in terms of reducing my time of having to spend calling each person individually.

So, offloading more, delegating more and trusting them. But then verifying it at the end before you sign off on the repairs for example.

[0:22:32.6] WS: Okay. Delegating is important. So, what is your best advice for caring for investors so they want to invest in the next deal?

[0:22:41.8] SS: Frequent constant communication, being very open. For example, at one point had five vacancies but that was still a good number and we had a plan on doing the upgrades, installing some backyard fences and then leasing them out so we could lease them at a higher rate and typically fall for example as a slow time to lease versus the summer and make investors aware of that that this still matches our expectations. We are still meeting the pro forma.

Or if you don't, why don't you meet the pro forma and what is your plan to catch up. Just be really open with investors and communicate with them constantly and they will be there because it is ultimately about them trusting you because they know that apartment investing their money is gone for at least three years typically, three to five years and that is what you tell them upfront. So, it is not like they need their money next month but you are not meeting the pro forma and communicating that clearly to them is going to make all the difference. They will trust you and then they'll invest again with you.

[0:23:43.9] WS: What is the number one thing that's contributed to your success?

[0:23:47.5] SS: I think attitude and confidence. So, first, I mean when I look back at my history of being able to go from \$75 a month then coming to a college for 20K a year, it is just that the impossible is possible. There has to be a way. It may not be the obvious straight path but there is a way to get there and believing that and going after it without giving up I think is probably the biggest thing that has contributed to my success.

[0:24:14.0] WS: And how do you like to give back?

[0:24:15.8] SS: I give back with my time and I give back with either donating, a percentage to a charity, which we do in one of our properties. Giving back to our community itself, we have many different ways whether it's festivals, whether it is Christmas time, toys, whether it is education just helping the communities within our apartment by improving their lives so they

want to stay. They want to stay as our tenants for a long time and invite their friends to come and stay with us because we have the community involvement piece.

Of course, outside of my apartment world I am on boards, I am on PTA boards for my kids' school and I am on the YMCA board in my local city and I love tutoring math to kids especially girls because I like to build their confidence by teaching them. Because math is all about financials. It is about everyday life and if you are strong in that, you will be fine whatever your source of income is you will keep it instead of losing it to bankruptcy.

[0:25:14.5] WS: Wow. Sandhya a great show. I appreciate you elaborating on how you got an \$8 a week food budget to now a seven figure net worth and how you've got into the syndication business and moved from the stock market and the attitude and the mindset that it has taken and how important that was to get you to the success that you had and I appreciate your time. Tell the listeners though how they can get in touch with you and learn more about you.

[0:25:38.1] SS: I have a website, multifamily4you.com. And I will share with you my checklist for vetting a sponsor, for vetting a deal, a passive investor's checklist and much more.

[0:25:55.8] WS: Nice. So, they can go to the website and sign up?

[0:25:59.4] SS: Yes, they can go to the website and sign up. And they will have all access to all the information that I have learned from my years of passive investing.

[0:26:09.5] WS: Great show, Sandhya. Thank you so much.

[0:26:12.4] SS: Thanks for having me Whitney, it was wonderful talking to you.

[OUTRO]

[0:26:16.3] 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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[END OF INTERVIEW]

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