EPISODE 415

[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 Angad Guglani. Angad started in the real estate brokerage business as a 19-year-old college student at New York University, launching off-campus apartments. Currently has a portfolio of 70 single family houses, two multifamily buildings, 12 residential units and a self-storage facility. Today, they wholly own six million dollars plus a portfolio that generates cash flow of approximately 25,000 per month with no outside equity capital.

Angad has a technique that's different than most we talk about on the show. I'm looking forward to this conversation, looking forward to learning more about this technique. Give the listeners a little more about what you're doing Angad and how you got started in the real estate business?

[0:01:15.3] AG: Thanks so much, Whitney. As far as how I got started, I was in college at the Stern Business School at NYU. and kind of chanced upon an opportunity to start a brokerage firm to rent apartments to students, a really a brokerage team because it wasn't a firm. Anyhow, it was a great opportunity at the time and I hired a bunch of my friend to run around and rent apartments to our other friends and other college kids and we did pretty well. As the owner, I was making about six figures a summer at like 19 20, 21. I was saving all of that money which kind of gave me a head start coming to school.

With that money saved up, I was looking for investment opportunities because I really always wanted to be a real estate investor, real estate developer. Unfortunately, not too many opportunities to capitalize cities if I would say in the country if not the world. Real estate here trades like three and a half cap rates.

Not a lot of opportunity for someone starting out. I chanced upon Camden, New Jersey and a friend from Philadelphia and he said, “Camden’s up and coming, there’s two and a half billion dollars, three million dollars of government money going there in the next five to 10 years.” At the time, it seemed a little crazy. Camden had a pretty tough reputation. Crime rate was pretty high, thankfully, didn’t deter me from getting started.

I partnered with two of my friends and we got our first single family rental in 2016. From there, I ended up buying my friends out so it was just me. And 2017, I bought five houses, 2018 bought 35 and this year, we’re going to try to do 65 residential units and next year we’re targeting about 200 purchases.

[0:02:50.2] WS: Now, give me those numbers again, the first year you bought how many?

[0:02:53.7] AG: The one, right? You got to start somewhere.

[0:02:56.1] WS: But the next year you bought what? Three?

[0:02:59.0] AG: One single family house. And then in 2018, 35 houses. Well, I say houses but units, right? We bought our multifamily building last year so it was five units and 30 single family rentals. This year we’re on track to hit 65 units purchased.

[0:03:14.8] WS: I loved just how you’re scaling, how you're thinking about scaling and even the goals of you know, really, you’re doubling or more. But even going back to being the 19-year-old that was hustling, making six figures in the summer, that’s impressive. Most are not going to be doing that during their summer, you know? But that has set you up. I mean, I was just thinking about like what that did for you and just having the mindset to save that capital, to really hustle but then to save that money because that’s not what 19 or 20-year old are looking to do.

I mean, what gave you the passion or even the thought process and the skill to want to pursue something like that as an 18, 19-year-old?

[0:03:55.3] AG: Sure. I've always had kind of an entrepreneurial bug. And again, it's a big blessing being in New York City being at NYU, there's a lot of opportunity here, right? That is a blessing, the curse is it's very difficult to invest here but there is a blessing. It might be easier to make money here than it is in other cities. But I always had an entrepreneurial bug and my senior year of high school, I was buying and selling Rolex watches. Another crazy little business but I always had that hustle and kind of found my niche in real estate.

I guess, what really put me in real estate was my dad said, you're making a lot of money buying and selling Rolexes, why don't you buy and sell bigger things? Buildings, for example and that's kind of what inspired me to get into real estate. No one in my family does real estate but I just always knew that it was an industry where you have a skill of kind of the hustle, the energy, it could be successful.

[0:04:39.5] WS: Congratulations to you even now, it's going to be great to see what you achieve just in the next few years. Hats off to you for making those decisions at 19, 20, even before then. Look what it's done for you already and just to have that mindset to hustle and too save that capital and now to invest it. Now going forward, okay, you know, you and I talked a little bit about the show and about how most of the listeners are looking to scale this business, they're looking to raise capital and syndicate deals. But you have a little different philosophy to that, right?

Would you explain that a little bit to the listeners?

[0:05:14.8] AG: I'd like to say sometimes. Think small to think big. Meaning, I like to do a lot of small deals at scale and that ends up equaling more or greater than what you would as the investor make on a big deal. Why? Because these smaller deals – first of all, you can use your own capital because you're playing with a lot less money, you're doing a small – like I single family rental deal or a five-unit building, right?

You can use a lot of leverage. There's a lot of hard million lenders out there, there are a lot of line in credit companies that will give you 85% loan to cost leverage on a purchase, right? You can take a little bit of equity and really push it and if you do enough of these and you can fully cash out refi, you can get all your equity back and just keep the burn model as we refer to.

[0:06:00.0] WS: Okay, you know, I know the listeners are thinking, "Wait a minute, in the apartment business, we always think okay, we want larger buildings because we can scale faster. It's easier to manage all these units under one roof or at least in one property." How do you manage all these properties and how do you – what does that look like?

[0:06:18.4] AG: We have a third-party management company. We're their largest client, it's pretty nice, it's almost like having a W2 employee but you're not, it's an independent contractor, they're an independent entity to you. But being that being that you're their largest customer, you do have some leverage there and take care of your account first.

Why we focus on single family houses and how you do this at scale. Well, single family houses, much harder to manage an apartment building, totally agree. But we have concentration and keep in mind, most of these houses were built in tracks. They're kind of similar, right? You buy enough of the same types of houses in the same area. You can almost scale up that way, right? Just treat it like multifamily.

Again, multi family, there's a much more efficiency as in more scaled that you can get to. Single families trade at – there's more of a spread, meaning, if you're buying it on foreclosure, if you're buying at a short scale or a distressed situation, you'll get a much better deal on a single family than you would on a multi-family. My guess for that is because there's a lot of funds, a lot of syndicators, very experienced and smart people, targeting multifamily. When single family's more mom and pop.

[0:07:25.8] WS: A lot of that makes sense, you know, I've heard this argument and so, what about – how do you plan to scale or how do you plan to keep scaling? Are you buying many properties at one time or is it like you've just created systems to really increase the leads?

[0:07:38.9] AG: We definitely have created systems. Systems being like just a unified way to look at the data, right? Between the property addresses, you know how much work it needs, where the seller is coming from. We basically have eight or nine different sources of deals. And we look at it on a monthly basis, we try to buy five to 10 doors a month. It kind of naturally scales in a way that you have a crew that's going to go out and look at each house and then figure out how much work it needs. You'll have a construction crew that's going to fade these houses out.

Again, you're going to be buying things in bulk and working in bulk. And when you're renting them, I mean, also, the leasing guy is going to be able to show five of your houses, 10 of your houses to potential tenants. It almost like backs into like a multifamily style of operation.

[0:08:21.7] WS: Buying eight or nine doors per month and you mentioned, eight or nine different sources for leads as well. Could you give us a few of those leads that are sources for leads that have paid of the most for you.

[0:08:32.2] AG: Sure. Pretty much the same thing as anyone else, right? There's the county, the court house step foreclosure. There's the online auction websites like auction.com, hubzu or whatnot. There's realtors obviously that's – realtors that bring you off market deals, that's like the best. And we kind of have a reputation as one of the most active, if not the most active buyers in our zip codes.

We'll get deals like an estate sale for example. We got the best deal we did this year at an estate sale. The realtor came to us because they know we can close. They needed something they could close. And then, you know, we buy from local asset managers, local REO brokers. So, we'll try to work with a bank and just buy their entire inventory in the zip code. You get preferential pricing for that.

We have the direct to consumer. People call it wholesale but I call it direct to consumer where we send mailers and do cold calls and whatnot. You know, that's fruitful. I'm probably forgetting a few but those are the main ones.

[0:09:22.7] WS: Tell me about how you have scaled your team, you know, while your business has grown really fast, tell me about what's happened to your team?

[0:09:30.4] AG: We're somewhat subjugated which is kind of nice. So, there's asset management, right? Which is property management construction, leasing that day to day, right? That's like on one end. Being in New York, the team here can't really do any of that. It's actually somewhat nice because you're able to think totally differently than your on the ground team and it's definitely difficult but it allows you to focus just on the three drivers of the business which is acquisition, right? Asset management which is making sure your property manager's doing what they're supposed to be doing. And refi or dispositions, right?

So, on the ground here in New York, you know I basically make most of the decisions and I have an assistant and I hire interns from Stern where I went to school. It is cheap, right? You don't have to pay 100,000 bucks a year and that is the New York starting salary for someone who does this type of work. You can hire interns or for 15, 20 bucks now, you'll get what six figure earner would be making or that level of work.

[0:10:27.6] WS: Tell me a little bit more about how you are finding the interns and how you choose them for your specific position that you are looking for? I've heard other people who want to do that but are trying to figure out how to do that.

[0:10:39.0] AG: Sure, so I guess I am a little bit lucky and in that I have graduated from school only two years ago. So somewhat no people there and I also just got invited to speak at the real estate club. So, I am pretty involved still in the community in that way, you know we just posted a job on the career net and get applications or post a job at the club start a real estate group like they are networking and get people to apply. It is not rocket science, right?

I mean as far as the work goes, there is underwriting deals, on single family that is a very simple process you just look at the rents, your net operating income and three comps and that's pretty much know if it is a good deal or a bad deal, right? Anyone could do it. You are doing loan applications, which is also pretty standardized and then we have everything that is on Google Drive so you can figure out how our loan looked the last time it did and you just basically reformat the documents.

And you have presentations, right? So, we are trying to work with the cities that we buy properties indirectly. Interns can make presentations. They could look at the stuff that you have done in the past and kind of change it around. So yeah, they're not actually interfacing with the deal source.

[0:11:40.3] WS: Are you using virtual assistants as well or is it mostly interns and actual local teammates?

[0:11:45.4] AG: So, I do have a virtual assistant that does scraping of data. So, she scrapes a lot of the opportunities that get sent our way and puts them on a standardized data format so we can generate and offer really quickly. So, we do use a virtual assistant, we got her from onlinejobs.ph and then I do have another BSBA you could say that does cold calling from the direct to consumer business.

And really, once you get to scale, scale to me is about a hundred doors. And hopefully we are there this year, I want to bring on a fulltime acquisition's manager and then the next hire would be a fulltime asset manager so that would get me kind of out of the day to day

[0:12:22.8] WS: And so, you're doing both of those positions now?

[0:12:25.6] AG: Unfortunately, yes and they are very different right? I mean if you are on acquisitions, you are more of sales and you are trying to sell yourself to the deal. If you're asset management, you're I guess a bad cop, you are looking at the numbers and thinking what went wrong of if everything is going right? I can see how much work.

[0:12:42.3] WS: So, where do you see this business say five years from now?

[0:12:45.4] AG: Yeah, the goal next year is to buy 200 doors between multifamily and single family and then the year after that I actually want to expand into other markets and find markets that are the same than mine makes meeting a lot of distressed property, good local income so you have tenants that could pay their rents. And find markets that have been neglected so you become the biggest buyer pretty quickly and then go around the country.

And just try to roll it up and buy three or 400 doors in each market. And eventually, hopefully there is some sort of institutionalized exit because as you know the single-family rental business, I mean a lot of REITs are doing it right now so maybe exit to one of those or roll it up into a writ myself.

[0:13:19.3] WS: So really build systems, build processes, scale it and hopefully you can exit that is awesome and so tell me, what has been the hardest part of this for you so far? I know you are selling Rolex's when you moved into real estate and then you have scaled. You know one property and then five and then now, you're open to do 200. So, what has been the hardest part of this real estate business for you so far?

[0:13:40.6] AG: I guess the hardest part there is a few things, right? Number one is it is all new. Every day I am learning new things, every day making mistakes so that is definitely difficult. Number two, I guess is just entrepreneurial fatigue. For the first couple of years of just me that was pretty depressing. But you know it helped, right? Because now I own all the equity, right? Otherwise I'd have less of a [inaudible 0:13:59] you could say.

And then I guess that is really it. Just lack of personal experience and not having anyone to really rely on and tell you what the right answer is and just the difficulties in starting any small business.

[0:14:12.2] WS: How do you get past the entrepreneurial fatigue like you are talking about? How do you push through that?

[0:14:16.7] AG: Having friends that are also going through the same thing that helps. It is also a very social business. So I mean it is lonely because it is only you but it also you are on the phone all day with your realtor and the property manager and the other people so it is not like you're hold up but yeah, I think that was able to do it but now having done it I definitely feel like the only way forward is really building a big team. Because we know a great business is never as a one man shop for too long.

[0:14:40.4] WS: So how are you prepared for this potential downturn that everybody is talking about?

[0:14:44.8] AG: Yes. We have a 10-year run, I guess. How are you preparing is just stock piling a cash reserve like our goal is to get to one year of debt service and all tax just stack away as cash. That means if there is ever a downside, you know we could still pay the fixed expenses and keep going. Aside from that, I mean, we're a bit insulated, right? Because we have the cheapest housing product in the area. People always need a place to live so if our tenants aren't living in one of our houses, where are they going to go? I don't know.

[0:15:11.5] WS: What's a way that you've improved your business recently though that we can apply to ours?

[0:15:15.5] AG: I would say, getting a standardized data format We have a ton of different data floating on any real estate business, especially single family, you have your potential leads, your stuff that you were trying to refi, stuff that you're maybe going to sell, stuff that you're managing actively. Having one standard data to take format, across all of your different aspects of your business so you can easily drag and drop a property in that saved us a tremendous amount of time.

[0:15:38.3] WS: Is there a system you use for that or software or something like that?

[0:15:41.3] AG: Pretty low tech actually, just Google Drive, everything in our business is on Google Drive. Our property manager uses the AppFolio which has been incredible, always been on that, I think everyone should use some sort of property management software. As the person that does manage acquisitions. To me, it's just Google drive, keeping all your contracts in one place all in one place.

[0:16:00.2] WS: What would you say is the number one thing that's contributed to your success?

[0:16:03.2] AG: I don't know. I guess just trying stuff, right? What's the worst that can happen? Everything you always start from square one. If you can just keep trying, keep pushing and I guess one thing I started doing this year is reaching out to more people. So I got lucky enough to get connected with some people in the market we invest in Camden – know a lot more ideal and they help me out, the asset mentioned it and kind of planning for growth.

Just reaching out to people, number one and number two, just keep trying and failing.

[0:16:30.9] WS: No, that's great advice. Everybody gets started somewhere, right? Tell us though how you like to give back?

[0:16:36.3] AG: Our goal is to donate 10% of net operating income back to the cities that we invested. Right now, we're only in Camden. Let's say we move to another city next year, we want to give back 10% of that operating income. Right now, we're not doing it. Why? 30 construction projects and cash is tight. But once the portfolio gets stabilized, it's going to be definitely a goal and not a goal, it's a mandatory to give back 10% of NOI.

[0:17:00.3] WS: I appreciate you sharing that. I love that goal. And so, tell the listeners of how they can get in touch with you?

[0:17:05.4] AG: Sure, if you have anything to reach out about, please do. My email is ag@cooperacq.com and the website again is cooperacq.com. Feel free to drop a note there and hope to hear.

[0:17:20.0] WS: Awesome, thank you very much.

[0:17:21.3] AG: Thanks for having me Whitney, I appreciate it.

[OUTRO]

[0:17:24.0] 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 Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[END OF INTERVIEW]

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