

**EPISODE 422**

[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 Cory Binsfield. Thanks for being on the show Cory.

**[0:00:33.4] CB:** Thank you Whitney.

**[0:00:34.6] WS:** Cory's the founder of Structured Wealth Advisors, a fee-based wealth management firm, along with Lake Superior Rents, a property management firm. In 1998, he decided to pursue his first house hack by pursuing a distress multifamily property with \$6,000 down in owner financing. After successfully repositioning the property, he then set a goal to acquire 10 duplexes in 10 years. After hitting his goal early, he decided real estate was fun and continued to buy more properties.

Today, his personal real estate portfolio and comps is more than a hundred units while generating over 1.2 million dollars in annual rents. All from \$6,000 investment from his IRA. I love that, these real estate stories like this is like okay, we start – you know, we get started, whether it's a house hack or a duplex or single family. But then all off a sudden, you know, we see what real estate can do for us and we push and grow and that's what you've done, Cory.

I'd love to hear a little more of that story, tell our listeners a little more about who you are, maybe where you're located and let's get to how you got to this 1.2 million dollars in annual rents.

**[0:01:42.4] CB:** Sure, I was actually born and raised in my hometown where I'm living right now. I left when I was 18, joined the military and then basically travelled around the country for a while, spent some time in San Francisco, that's where I got my feet wet as a financial advisor and learning the trade.

Then, had a kind of epiphany on the Golden Gate Bridge one day. It was like, beautiful day. It was like Sunday, around 3:00 in the afternoon and the bridge was just packed full off traffic. It was just back to back cars. I couldn't move. I was looking around saying, "What on earth am I doing in this city?"

After that little epiphany, I decided, you know what? I'm going to go back to my home town and do a couple of people that were doing well on real estate. And as you probably know, real estate's a little cheaper in the Midwest than out in sunny California and so I basically moved my practice here, the financial advising practice and then while I was building, continuing to build that up, that's when I started looking real estate and that's when I found my first house hack, where I used that \$6,000 down on a triplex to get my portfolio started.

**[0:02:57.4] WS:** You started – house hack was your first real estate investment. Is that right?

**[0:03:01.5] CB:** Yes.

**[0:03:03.3] WS:** Okay, you moved in the part of the, what type of property was that again?

**[0:03:07.1] CB:** It was a triplex and so it had three bedrooms and a studio apartment. And I moved in the two bedroom because that was the only unit that didn't need a ton of work and then I immediately started working on the other two units and that's when I kind of caught the real estate bug to purchase that property. Basically, turned that around, built up about 60 or 70,000 in equity and then I used that to purchase my second property.

The goal at the time was still building my investment business and I thought, "If I had 10 duplexes, 20 units and they're all generating three to 400 a month cash flow, basically by pure math, I would be a millionaire on the side just with my little real estate portfolio." I basically hit the 20-

unit goal early, in less than 10 years. And then after that, I started looking around going, “Okay. What’s next?”

And so that’s when I pulled like a Grant Cardone and said, “You know what? I’m going to 10X this thing and what would happen if I made like a million dollars in rent? That would be kind of neat.” That was the next point.

**[0:04:18.8] WS:** Yeah, that would be more than need, that’s pretty incredible, right? That’s incredible. Your house hack, I love that option, I wish I had known about house hacking or that option, you know, many years ago. Looking for that first investment or you know, even before I was married, just thinking that way of like, “Well, maybe I could go buy a small multi-family property and live in one of the units.”

I just wasn’t exposed to that, didn’t think that way at that time but that’s incredible that you were able to get started that way. Is that a way that you recommend other people get started?

**[0:04:50.9] CB:** Yeah. I think – to me, it’s the easiest way to get started because you know, because falling back, if I were to do it all over again, I probably would house hack the four unit and especially with today’s financing, you know, you can get a four unit at three to three and a half percent down as long as you live there.

You can get into a pretty nice property with little down and then you can learn the ropes about being aa landlord and you know, if you don’t like it, just sell the property or catch the bug, all of a sudden you got a four unit and then you can basically refi and roll. Pull some equity out of that and then move on to the next property.

**[0:05:25.6] WS:** Nice. I get that question often about you know, getting started. Actually, somebody just at church yesterday was saying, “I’d love to talk to you about getting started.” He and his wife is looking at buying a small house or a duplex or something like that and possibly house hacking and it’s just a neat option to get your feet wet.

**[0:05:43.4] CB:** Another way to get started too is like what you’re doing is you know, a professional and they’re just way too busy and they’re really focused on their career and then you

know, you start vetting out a good syndication group and then you can learn the ropes of syndication by just participating the programs and then who knows, maybe go of on your own and create your own little syndication, you know?

**[0:06:04.3] WS:** Yeah. We have investors that do that as well, they may invest on a few deals and learn a lot about the process and then try to do their own deals as well. You know, tell me a little about Cory, just your process, okay, you started with the house hack but getting to the hundred units to 1.2 million in annual rents, that didn't happen overnight I'm sure.

Tell me a little bit about how you grew this portfolio?

**[0:06:27.1] CB:** Well, after that, the 10 duplexes, I decided I didn't want to go – I want to basically get out of small multi-family which is four units or less. And I ended up finding a six unit and that kind of opened the doors for me as possible with commercial financing. And it was with that six-unit property that was basically in an estate sale through a trust apartment, I built a relationship with this bank and just from that little six unit alone, I ended up buying the properties across the street which was another 13 unit to the same trust officer.

And then like, literally like nine years later, the guy called me. And yeah, there's one property, it's still in that estate and technically it wasn't in the estate and the trust at that point, a charitable trust they were managing. He had 11 units that I had been trying to buy for years. I called him every year and say, "Hey, Tony. If you ever sell, give me a call." And one day, I got the phone call and he's like, "We've got trouble with this 11 unit. All these ceilings are falling down. There's been some shifting in the building. Would you still consider buying that?" And I said, "Let's do it."

I went in there and there's some work to do on it. But he finally went from saying I never will sell that building to become a desperate seller just because of some foundation and ceiling issues. That was pretty instrumental in building a portfolio. Along with – I was literally driving for dollars and see a six to 12 unit and I say, "God. That's a really nice building." I'd go on to the county records, find out who owns it. Go to the secretary of estates, see the LLC's.

And then, basically just pester the people until they finally sold. Most people say they will never sell. But then if you stay in touch with them over the years, their life changes and all of a sudden, they're selling.

**[0:08:25.2] WS:** That's right. Things change, don't they? We don't expect them but you know, things do change and that's just like sending out the yellow cards or whatever, people call them the direct mail and things like that, you know. You send it to the same person over a month for a year well, they don't want to sell. But then all of a sudden, somebody dies in the family or they have to take a job transfer somewhere else, there's different things that happen, now it's like, "okay." Then they remember getting that letter in the mail, whatever it was.

But you know, you stayed in contact and now I think that's key here, you stayed in contact with this guy. You kept saying, "If you ever want to sell, you know, please let me know," and you call back and tell them again. How often were you doing that or was it like once a year or what was that process?

**[0:09:08.5] CB:** Twice a year, you don't want to be annoying. You know, at this point in time, they don't want to sell. But you want to basically keep the top of mind awareness with the person so that they know yes, you're still looking, some of these people are like, "I had one deal, it's a little four unit." And it was this little lady named Myrtle and she was amazing, she was managing this four-unit property all by herself, she owned it since the 60s, she was like, probably her and her husband are the third owner.

No, I think they were the second owner and the four plex is built in the 1920s. But it got to the point where I kept sending her Christmas cards, birthday cards, calling her and she wouldn't say, "No, we're never going to sell." I finally at a point like you know, she passed the estate, the kids will get a step up in basis, they don't want to deal with the tax hit, you know? I basically quit mailing her and calling her. And then one day out of the blue, because she still had my business card like a year later, she calls me and goes, "Hey. You still want to buy my building?"

I'm like, "Oh, Myrtle, I kind of given up on you." And she goes, "No. I still want to sell." I'm like, "Well, how much you want for it?" She goes, "I don't know. Let's get an appraisal." So, I just bought it the appraised price. You never know, you know?

**[0:10:26.9] WS:** Yeah. You'd mentioned a few minutes ago about the opportunities with commercial financing that you realized, you know, after you bought, I think the six unit, what were some of those opportunities that your eyes were opened to?

**[0:10:38.6] CB:** Well, by working with smaller regional banks, I discovered that I could get a lot more creative with the financing. You know, when you're taking down a six to a 20 unit, you typically have to come up at about 20 to 25% down with all the closing. So, what I started dealing was working with some of the sellers and I basically say, "Hey. I'll give you 80% of your purchase price or possibly 70% of it in cash and then I want you to carry 20% of it and then I'll come down with, you know come over to 10% down."

So, by building relationships with certain regional bankers, they knew me. They trusted me, they'd see what I have been doing as basically able to get in some of these deals with 10% down and that was a game changer for me because when you are on your own, self-managing your properties you know partners, lack of capital is always an issue and so being a financial adviser, I really can't go out and do a syndication. I am not allowed to do that, my firm would be frown upon it. So, I have to do everything on the side here.

**[0:11:44.7] WS:** Of course, and you are also self-managing these hundred units is that right?

**[0:11:50.3] CB:** Yes.

**[0:11:50.8] WS:** And you know can you elaborate on what that looks like a little bit I mean that is more than a fulltime job in itself so how are you managing that?

**[0:11:59.3] CB:** You know surprisingly, once I had that 10 duplexes, I discovered it really wasn't that difficult. I mean I have built in some nice systems. You know I had a handy man. I had 1099 contractors. Pretty much I had the maintenance down. But I discovered that if you screen well and you have really good residence, there is really not a lot of problems that come up except for a leaky roof or a boiler issue. So, I discovered that was taking me maybe two to four hours a week, to manage 20 units.

And as a result of that when I started 10xing my portfolio, I just kept adding on new software that could handle more units. And today, you know the software that I have now, AppFolio, my life is so much easier from back when I started. I mean these are for digital leases. I did text request for maintenance and then I just forward the text or the email right to the proper maintenance person and it is about that is the busiest thing I did.

The thing that I would say is the busiest time stack is actually doing the showings and so with showings I try to group them together into multiple showings. So I will say two block showing it on Saturday and you will get four or five people showing up and then if they are really interested, I tell them, "Well, hop on your iPhone first one is the application in and if it qualifies you're the first one who gets it." So, typically, you create some competition there where people are like want the unit right away.

And then an hour or two later I am running back on reports. Once again through software so it is pretty straight forward.

**[0:13:44.7] WS:** Nice, yeah AppFolio sounds like a must have especially if you are self-managing. But you know Cory, what's been the hardest part of this multifamily business for you?

**[0:13:54.6] CB:** I'd say the toughest part is I'm in a small town so it is not like a bigger city where there is lots of large multi units that you can go ahead and purchase and things don't really move here because the population is about a 100,000. And so, my biggest challenge is finding the right deal and the next challenge would be finding the right people in terms of fixing the property because it is really hard to find good trades people that are reliable.

That don't get thrown in jail or that they don't show up on the job drunk. So, it is kind of an art and a science trying to find the right people to work with you. And I basically call my current group, my little band of misfits. They are all 1099 contractors. They work on their own but it is like herding cats. Some of them are tough to work with but they are loyal to me and I pay them right away so they stick around.

**[0:14:54.8] WS:** So how do you prepare for this potential downturn that everybody is talking about?

**[0:14:59.7] CB:** Right now, what I am doing – because the market reminds me a lot of 2007 and even the Internet bubble of 2000. There is a lot of criticism against Warren Buffett these days. He is under performed on the market over the last six years. The analysts are wondering why he had over a \$100 billion in cash. Why he doesn't spend it and it is funny because that exact same criticism occurred back in 2000 when everyone thought Warren Buffett was dead and lost his touch.

And going back to 2007 when we are on the height of the housing bubble that is actually one my greatest challenges because I was losing tenants because they are buying homes. And these were tenants that were pretty marginal and I was shocked that some of them would go get a mortgage. So, at this point, the market is looking a little bit topy. You know I am not a big fan of forecasting. It's always better to stay invested as long as you get a good deal.

But what I am doing now is I am going through my entire portfolio. I am locking in on low interest rates in all of my mortgages, I am pulling out cash when I can and I am basically building a giant war chest. Because in the last downturn, I could not get a single banker to lend to me it was driving me crazy and so what I am hoping is going to happen is we have a lot of new investors that are landlords these days. And I think once we hit the downturn or they discovered that managing real estate is not that passive I am hoping there is going to be some good deals to be had.

**[0:16:36.5] WS:** Yeah, I believe there will be and that sounds like a good plan and we would be ready to be able to scope some up. So, what is a way that you have recently improved your business that we could apply to ours?

**[0:16:47.4] CB:** Once again/ I am a huge fan of software and apps and technology. So, I am always looking for different little tools that can improve my business. My latest one is this thing called Timesheets and what it allows me to do is I track all of my employees. It's got a GPS locator. They're not tech – they are not employees, they're independent contractors. But I have discovered by using that Timesheets app, I can actually see where these people are just to make sure that you are showing up on time.



And then inadvertently, I started using it on myself because I'm like, "Where does my time go?" you know? And so, I have been using that to track my own time and see what is basically the best use of my time.

**[0:17:31.8] WS:** Wow. That is a great tip there that Timesheet, I haven't heard of that one but I know there will be people that will be interested in that for sure. So, what's been the number one thing that's contributed to your success?

**[0:17:42.3] CB:** I say just grit. I mean I am the type of person that I'll set this goal and I don't care what happens. I am going to hit that goal no matter what happens. And so, I just put my noses to the grindstone and just focus on the goal no matter what the obstacle is.

**[0:17:58.1] WS:** That is awesome and being any kind of entrepreneur, you definitely have to have grit to be able to push through.

**[0:18:04.2] CB:** You'll have some bad days.

**[0:18:07.0] WS:** Yeah, no doubt about it and before we have to go, tell us how you like to give back?

**[0:18:13.3] CB:** I like rescuing animals and helping out with the animal shelters. And so that is my number one give back. And then another way which doesn't really make business sense but I have inherited a number of tenants on these buildings I've purchased and some of them, they are not on fixed incomes. It sounds crazy but some of them never raise their rents. So you know they are two, three months under market.

But they're wonderful residents you know? They are super low key and I just always think, "Oh they are going to move soon" you know they have been there for 10, 12 years." But they haven't moved. So, in one way they are helping me out if they know wants to Google me, I have a pretty large CapEx project once they are out of it. So I mean to me, the money is great but you still have to – there is a human factor there when you are managing your portfolio you got to take care of people and then they will take care of you.

**[0:19:09.7] WS:** Do you plan to outsource that or hire somebody at some point?

**[0:19:13.0] CB:** Yeah. That is what I am kind of wrestling with. I am starting to work now more on some longer-range goals and the problem right now that I am not happy with the management companies in this town. And so I am starting to look at some other markets and I may possibly end up doing this, you know building a portfolio let's say down in Florida somewhere and where there is really good management companies and then from there then I will start building maybe the next stage, I'll start going after 50 to a 100 then 200 buildings.

**[0:19:48.0] WS:** You are just looking for a good reason to get to warm weather, aren't you?

**[0:19:50.8] CB:** Well that too.

**[0:19:53.6] WS:** So, before we have to go Cory, tell the listeners how they can get in touch with you?

**[0:19:57.0] CB:** Best way to get a hold of me is I've got this little blog. It's purely a work in progress but it is called [ten2million.com](http://ten2million.com). So, you spell it all, ten and then the number two and then million, [ten2million.com](http://ten2million.com) and there I periodically put a blog post and kind of talk about the crap of managing real estate.

[END OF INTERVIEW]

**[0:20:19.2] WS:** Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

**[0:20:59.5] ANNOUNCER:** Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at [www.LifeBridgeCapital.com](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

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