

**EPISODE 427**

[INTRODUCTION]

**[00:00:00] ANNOUNCER:** Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

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

**[00:00:33] CN:** Thanks so much for having me, Whitney.

**[00:00:34] WS:** No. It's been great to get to know you. I know you and I have had numerous conversations over the last quite a few months now. Pleased to have you on the show. Let's talk about what you're doing in real estate right now, even with the busy schedule.

But a little about Craig, he's discovered the unique qualities and opportunities in multifamily real estate in October of 2018. He converted his assets from traditional investments to cash flowing real estate in January of 2019. Has closed on 53 units so far and plan on converting more of his assets and W-2 income into cash flowing real estate before ultimately syndicating deals to help others convert their assets into cash flowing multifamily real estate.

So, Craig, thank you again for your time being on the show. Tell the listeners a little more about maybe where you're located and what your focus is right now.

**[00:01:23] CN:** Thanks so much, Whitney. So I live in Brooklyn, New York. I've been in New York now. I moved up here in 2003, right after college. I fell in love with it and I've been here

ever since. So my wife and myself and our two dogs, we live in Brooklyn, New York. I have – I was basically in traditional finance throughout my career and I sort of shifted gears about five years ago. I wanted to pursue something more sort of entrepreneurial, so I changed course. I went from a traditional financial into a fintech company, which builds busy trading marketplace and software for the financial industry.

As far as the real estate thing goes, that's been an interest of mine in my entire adult life. I was just one of these people that without even really thinking about it, I would go visit cities and I would look up all the stats on Trully or Zillow and would visit it over the course of the weekend. Spend a lot of time trying to get a feel for the underlying fundamentals of really of the city and the growth areas and the price per square foot and all the sort of important metrics.

So through that, I ended up sort of dabbling in buying single-family real estate over the course of my adult life. That being said, there was no sort of real strategy to it. I did enjoy in my mind investing in real estate, and it was something I just did out of enjoyment. I shifted my mindset, as you mentioned, sort of in October of last year. My sister-in-law introduced me to several of the podcasts on real estate, and so I spent a tremendous amount of time going down deep rabbit holes, listening to your podcast and BiggerPockets and [inaudible 00:03:08] profits and learning a lot about these different segments of the real estate market.

It really stood out to me when I started learning more about the basic and just learning up to sort of be dangerous. I recognized that a lot of the characteristics of multifamily real estate matched up with what I would want for my life going forward, which is the basically – I love my job, which I feel very thankful to be able to say that. I know there's a lot of material out there and a lot of people talking about almost this sort of demonizing extra W-2s and spending full-time on different things.

I love my job and really I have – I'm very excited about the prospects of my full-time job and hope to do that for many, many years to come. That being said, I also want to prepare myself and my family through multifamily real estate to build a passive cash flow stream that if I ever find myself, whether that's in a year, 5 years, or 20 years, if I ever find myself in a position where I don't love going to work, I don't want to feel beholden to my W-2 job and take time away from my family and other things I love doing just because I feel like I need the income stream. So I'm

trying to – I'm working diligently now to replace my W-2 income with passive real estate income over the coming years.

**[00:04:35] WS:** Nice. You talked about how most W-2 positions are like demonized here or the JOB, Just Over Broke. I've heard that so many times. People say it's what JOB stands for. But it's interesting. It's not ever talked about. The people who say, "We want to get into real estate," but they don't want to leave their JOB or they really enjoy it like, you like you do.

I think it's a great topic and thinking about that busy professional that also wants to own some real estate and just thinking about, "Okay. But it seems like a lot of take on or that seems like a lot to manage." I think you could speak well to how to – Getting started in real estate, especially in large multifamily while also not planning on leaving your day job. So this is like, "Okay. I'm going to take this other thing on over here on the side that I know is very beneficial, but it's going to require a lot of my time." What did that look like in the beginning for you?

**[00:05:34] CN:** That's a very good question. Well, the first thing I did before I can really set forth with the game plan, I started off by doing a very thorough analysis of my whole financial life and I uncovered a lot of things, one of which being that I was being inefficient with my assets. Now, again, this is coming from someone, I sort of have a – I would say my financial literacy is stronger than the average person. I was in finance my entire career.

But I think that it's – I would say it's pretty normal. I mean, people just get in the routine of their day-to-day lives, and you're not really spending the time to drill down on, "What's my income? What are my expenses?" But, "Where are my assets and basically what are my assets doing for me?" So a huge sort of like *Rich Dad Poor Dad* thing like, "All of my – The asset I have, are they sort of – Are they working as hard for me as I'm working for them?" So that's – This whole journey for me began with me having a real serious look in the mirror about what my – About my assets and, again, sort of my balance sheet, my personal balance sheet.

Once I had a better understanding of what was working well and what wasn't working well, I then set forth to convert some of my assets into cash flowing real estate. The educational piece was a huge part of it. As I mentioned, it's such an amazing thing about pursuing this in 2019, going on 2020 is that all this material is available. Someone can go on to your podcast, and I've

listened to dozens and dozens of episodes on your podcast. Over the course of hours and days or a couple weeks, you can get a good understanding of identifying markets and taking the steps towards approaching real estate in a way that you're comfortable with.

I think that it's important as well to sort of set your intentions like why are you doing this, because it's not going to be easy. So if you don't have like a real strong sort of why or a reason behind why you're trying to do this, chances are that you are going to [inaudible 00:07:45]. You're going to have hit bumps in the road. So when you get those bumps in the road, is your why strong enough to help you sort of power through that? The mindset thing, as far as I mentioned.

I purchased some single-family homes over the course of my adult life. I got lucky. I bought those single-family homes as an investment I thought in my mind. The market, which makes everybody look smart. The reality of it is is that to approach this in a format that I'm talking about and like the way that you do and then you wanted a sort of a serious investor is you have to approach it like a business. You have to have a – You can't just sort of like fall into this. Really, you have to set forth a strategy that is well-thought-out and consistent that you can follow. Otherwise, you're sort of like you're putting your assets up to luck, which I wouldn't suggest.

Also, recognizing that you are going to make mistakes. So basically as approaching this, in my mind I was almost like, "I think people are concerned that I'm making mistakes." You're going to make them. That's the reality. So if you are reluctant to take action because you think you may make mistakes, you have to completely shift your mindset. I mean, I think I have – Well, I was encouraged to lean into the mistakes, because if you are making mistakes, provided that you are learning from them, you are accelerating a learning curve.

I would also say, which is a very important point, and I just not too long ago read the one thing and I talk about blocking off time and scheduling. I'm sure you must be very good at that based on all the things that you do in your business, in the podcasting, in the syndication is that if this is important to you, I guess one is evaluate your life and schedule time for yourself that is not also going to – You have to be realistic.

I schedule my time, for example, on Monday nights and Saturdays. I do that because my wife works on Saturdays. Then Monday nights – We don't have any children yet. If you have three kids, I mean, scheduling your real estate planning on a Saturday is probably not going to work. So it's a matter being realistic of like what's your life and how can you work on this if it's a priority for you without throwing your entire life into chaos so that you can get behind it, as well as your spouse and your family and everyone else that is supporting you and can get behind you. It's just be realistic about what your life looks like.

Then the last thing I would say is that, again, because you – Especially someone with a W-2 has limited time, is devoting time to establishing and fostering relationships with people that can help you grow your business. By that, I mean mentors and I have a mentor and brokers and property managers and other trusted experts in your field that you are basically not just using your times that's available to grow your business. But you're also using their time.

**[00:10:48] WS:** You mentioned so many great things there. I was taking notes. But this time management piece is such a big deal, I mean, along with the mindset and the strategy, numerous things that you mentioned and being willing to make mistakes. But I found like personally, I mean, the time management piece like having my calendar or having structured these days of the weeks, these times, this is what's happening, being very consistent with that.

But then also, where I found it difficult is like where I'm always pushing to keep – To get to the next deal or get this done and doing the podcast, all these things. Well, the whole reason we're doing all this, to be able to spend more time with family or whatever that may be, that kind of gets pushed to the sideline while we're pushing this career over here.

I found and I haven't mastered this by no means, but it's like even with the family, it's like, "Okay." If they know that these times of the week is just for them, that makes the rest of the week a lot easier when they – Especially with kids, they know that, but my wife as well. It's like, "Okay. We're going to have this time." If it's a few long days in a row, as long as they know that time is coming, it's been very helpful. But I just wonder about yourself. I like how you said like, "Okay." I know you said like Mondays and Saturdays or something. But there's a time where you're like planning your week. Is that right?

**[00:12:11] CN:** That's absolutely right. Just listening to material from people like yourself who are very successful in real estate that have children, you often hear people with children. I've heard people that wake up at four in the morning and four to seven. That's their quiet time. That's when they're focusing on pushing the business forward because they know that's what fits for their why. That's when they're sort of uninterrupted. I sort of – Again, all these things only work with very accurate introspection.

You have to really look at – Again, this took me sort of accurately evaluating all my assets and my income and balance sheet. Now, then sort of accurately evaluating and being honest myself like, “What's my life look like and where can I block off time that it's going to work for me and my wife,” and whoever else is an important part of your life.

**[00:12:58] WS:** Yes. What would you say was the biggest factor in helping you get just that the mindset of just, “Okay. I'm going to make this happen.” I think even the mindset of recognizing you're going to make mistakes and being willing to know that's going to happen but know that that's part of the process. How did you become okay with that and then get your mind right?

**[00:13:19] CN:** So I have to say and I feel very fortunate is that I – In general, I'd say I'm a competent person and I'm not making mistakes. It is not something that in general scares me. Also, I realized that the only alternative to making mistakes is basically not taking any action and that wasn't – You have to sort of decide for yourself. The only way you're not going to make mistakes is by not taking any action. So is that an outcome that you can live with? That's just not something that I wanted to do.

Again, I almost turned it to the point where I almost – I'm looking forward to mistakes, because they are certain. They're going to happen. There's no avoiding them. If you wait, they're still going to happen. If you go smaller, bigger, anywhere in-between, they're going to happen.

So I think that as well. I think it's very important. Because if you go into it, thinking there are going to be mistakes, all the things like when you listen to the podcast and new material that you put out, anything which is something I'm grateful for because I can go on your podcast and listen to the experiences of all these successful professionals before me. When they talk about these worst-case scenarios and I bought this building and it burned down and the roof leaked

and all, I had a bad tenant and this dog bit somebody. You want to think that's not going to happen to me. It is certainly going to happen to you. So I think it's an important thing just to basically to – Again, a lot of these things are – I'm just being honest with you. If you go into this, all these things, some variation of those incidents are going to occur to you. The important thing is though they happen to everyone.

To some people, when those things happen, it stops them in their tracks. It's a matter of – I think that when – I've had some bad things happen to me already in the past six months and I was basically waiting for them. So when they happen, when I got these calls, I didn't – I wasn't in a – I would've preferred they did not happen. I was – When I got the call from my property manager, I didn't think to myself or I didn't feel any sense of how could this be happening to me. It was a matter of like, "When is this going to happen to me," and then sort of planning ahead for that. Do I have the right team in place that can handle these problems?

When I had the biggest problem that I've dealt with so far, my property manager dealt with it so well. I'm sure that it was basically on the verge of an emergency. On this side of the telephone, it didn't feel like an emergency. They're excellent at their jobs. They're professionals. They managed our relationship and our communication well. That's a great lesson itself. All these things are going to happen to you. Do you have the right team in place and the trusted partners in place that are going to help you get through these things?

**[00:16:22] WS:** I couldn't agree with that more, Craig. Those team members are so crucial or so important. But taking a shift a little bit, a few questions before we ran out of time. Now that you've been a part of a few syndications, what's been the hardest part of the syndication journey for you?

**[00:16:41] CN:** I have not syndicated any of my deals. I've bugged them. So I have invested in a syndication and I think the most important thing for me is that I feel [inaudible 00:16:55] and I would feel the same approach you have about one of your deals is to really get to know the people that are doing those deals. The one syndication that I invested in, I was lucky enough to know the general partners of that deal. So I had no apprehension. I saw the way they conduct themselves personally, professionally, leading up to that. So when it came time to make the investment and I look to the deal, it felt right and I felt so comfortable doing that.

So for anyone that has the opportunity to really vet and get to know and I think that's it's so amazing that you have your podcast and you are so accessible, because, again, if I were to do one of your deals, there is no – I would have zero apprehension. I wouldn't be tentative at all about the quality of person that I'm investing, which is a huge part of it.

Again, same thing. As successful as you've been, things are going to go wrong. So it's like, "Do I trust you? Are you going to communicate well with me? How are you going to handle it?" So you're going to handle this situation with integrity. Obviously, the answer to all those things is yes, and that's really the most importune thing I think when approaching these deals.

**[00:18:14] WS:** Of course. No doubt about it. Yeah, the integrity piece. So tell me how you plan to or how you're preparing for this potential downturn that everybody's talking about.

**[00:18:27] CN:** I feel very confident heading into a potential downturn because I'm focused on, let's say, sort of B and C class value-add stuff. For me personally, again, this is to each their own. But I – There are some markets that have sort of A class properties at 3.5 caps and 4 caps. I live in Brooklyn in New York. So I'm very familiar with how tightly the cap rates are in some these markets. I'm just not investing in those.

Again, my main goal is cash flow. Above anything else is my goal is to establish – The largest passive cash flow is impossible [inaudible 00:19:09] investing. I'm mostly evaluating what return am I getting on that dollar, and this is not where can I purchase a deal and then basically exit this deal into two years based on current cap rates. I'm looking for sort of [inaudible 00:19:25].

But that being the case, and again I'm trying to set myself up with, for example, long-term financing so that I'm hopefully never a fourth seller that I can – I'm almost like agnostic too, especially if it's within, let's say, a 10, 15% ban up or down, say, in the markets. I'm investing as though I want to be agnostic in what the market does. Part of me almost wishes that if things came off a little bit, that would be of benefit. So it would be easier to buy stuff.

**[00:20:00] WS:** Sure. Tell me though what's a way you've recently improved your business that we can apply to ours?



**[00:20:07] CN:** So I personally – So from my experience, I would say the most powerful lever is property management. I'm sure you can tell already I'm thrilled with the property management company that I'm using. I think that is, again, the most valuable lever in the business and really that is what is setting a tone for the business for customer engagement sort of living out the core values and principles of your business.

Those people are the front line when facing your customers. I really sort of can't stress enough sort of how important that is not. So now, just because I had a property manager, it was less effective. Now, I have one that I am finding very effective and to see how they're interacting with people, to seeing how they are extracting equity and delivering value to our customer base in different ways.

For me, again, there are so many important people, brokers and lawyers and accountants and so many different people, you want to have the best of all of them. But so far for me, having a very effective property manager has been I think the most powerful thing for me and my business.

**[00:21:26] WS:** Very important team member. No doubt about it. So what's been the number one thing that's contributed to your success?

**[00:21:35] CN:** I would say sort of overall and this should apply to real estate is persistence. I remember this my entire life. As a child, I mean, my dad said to me that perseverance is omnipotence. If you don't give up and keep at it, you will succeed. So I think that by far and, again, this is – I'm trying to apply this to my real estate business. But this has definitely served me well throughout my life and career and I think that – Which is amazing, because I think this is sort of the most important qualities. Again, you don't need to have [inaudible 00:22:16]. I mean, it's a great thing. I think about sort of everyday is I can do it myself in life and business.

Of course, you want to do it with grace and be persistent and following through and sticking with things. I think that's the most important ingredient for this business or really any business.

**[00:22:35] WS:** How do you like to give back?

**[00:22:37] CN:** We give back, my wife and I. My wife had – She's healthy now. She's been disease-free for five years. My wife had stage IV melanoma, and she was treated by Memorial Sloan Kettering. She had the greatest experience there. They took such great care of her and nursed her back to health, and she's doing [inaudible 00:22:58] well now. So Memorial Sloan has, of course, a special place in our hearts, so we give back that way, and I'm on the board of a animal shelter here in New York City. We have two rescue dogs, and the name of the animal shelter is Animal Haven.

**[00:23:13] WS:** Craig, well, I appreciated your time and your sharing with myself and the listeners and just you getting into the real estate business while working full-time. That's not easy. Just the time management piece alone and just knowing or just going into it with the correct mindset and knowing that the mistakes are going to come. You even talked about devoting time to fostering relationships. All that takes time.

But it has interesting spin on it that you love your JOB and you don't plan to leave, while the majority of the industry that are getting started are – It's kind of the opposite. So I just appreciate the different take on that and being able to do this while also working full-time and the success you've had. But tell the listeners how they can get in touch with you.

**[00:23:59] CN:** The listeners can get ahold of me. My email is – It's my full name, craignepoliello, C-R-A-I-G N-A-P as in Paul, [O-L-I-E-L-L-O@gmail.com](mailto:O-L-I-E-L-L-O@gmail.com).  
[craignepoliello@gmail.com](mailto:craignepoliello@gmail.com).

[END OF INTERVIEW]

**[00:24:18] WS:** Don't go yet. Thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook, so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show. Subscribe too, so you can get the latest episodes.

Lastly, I want to keep you updated. So head over to [lifebridgecapital.com](http://lifebridgecapital.com) and sign up for the newsletter. If you're interested in partnering with me, sign up on the contact us page, so you can talk to me directly. Have a blessed day, and I will talk to you tomorrow.

[OUTRO]

**[00:24:59] 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.

[END]