EPISODE 436

[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 Pancham Gupta. Thanks for being on the show, Pancham.

[00:00:33] PG: Thanks for having me, Whitney. I'm so great and honored to be on your show, looking forward to it.

[00:00:39] WS: Yeah. I'm honored to have you on the show. I know you and I have met in numerous conferences and talked numerous times. It's been great to see your success and even you leaving the full-time job and now doing this full-time. I hope we get into that a little bit because I know a lot of people that are listening are hoping to do that exact same thing. So I'm really looking forward to this.

But a little about Pancham, he's a full-time multifamily syndicator with $32 million under management. He's the host of The Gold Collar Investor podcast, which helps high-paid professionals learn about investing outside of Wall Street and learn personal finance. He graduated from Carnegie Mellon University and spent 14 years in the fintech industry in New York City.

So, Pancham, thank you again for your time being on the show. Give the listeners a little more about your background, and let's – I'd love to hear a little more about how you quit your JOB, because I know that's what a lot of the listeners are dreaming about.

[00:01:34] PG: Sure. Happy to. So I came to the US in 2003 for my master's degree in computer science, and my idea at the time was that I would come her, get my master's, get some work experience, and go back to India, and that's where I am from, and start something of my own over there.

So in 2011, we decided that we are not going back. A bunch of things happened in 2009. We almost sold everything, and me and my wife found out that we're expecting our first baby and —

[00:02:12] WS: That just changes things.

[00:02:15] PG: It does. So we're like, "You know what? Maybe after we have our first born, maybe we'll do that later." So we bought entire furniture, all those stuff, packed. In 2011, '12, we decided we're not going back, and that's when I actually started investing in real estate. I bought two single-family houses on where I live, rental properties, before I bought my own house. I got addicted to this so much that it slowly became – It started as a hobby. It became addiction at some point. Then it turned into passion I don't even know. I was literally spending day and night just thinking about real estate, analyzing deals, going to conferences, being on bigger pockets back then, a lot more than what I want to be even now. But I just don't have the time. But yes.

So fast-forward five years, I ended up buying a property in five different states, out of state. They were all small single-family, duplexes, triplexes, all of these properties. Back in 2015 or '16, I realized that this is not scalable. It was taking too much of my time. I was working full-time. That was my main focus, and I was – I'm like, "This is – There has to be a better way." That's when I found syndication, and we did our very first syndicated deal in 2017. So far, we have done four of them, and that's where we are right now.

[00:03:52] WS: Wow! So early on, when you're buying those other properties out of state, the commercial real estate business or syndication was not really in your thought process at that time. Is that right?

[00:04:02] PG: That's absolutely right. That time, the thought was that I'll buy – Keep buying these small single-family duplexes, triplexes, all these properties, and just building my portfolio. But it felt like a lot of work, and also I started liking this business so much before it was more like investments. Later on, it became like, "Oh! You know what? I want to do this full-time." This is something – It really, really excites me, and I'm helping people out as well by investing their capital and all that and I love this stuff.

So there was a transition point where I was like, "It's not scalable. Also, I want to pursue this as my full-time career at some point, so let me start looking into something else other than just buying these." Trust me, this strategy itself was great. There was nothing wrong with it. It's just that how much time you want to spend on it and what are your goals. Is it going to meet your goals or achieve your goals?

[00:05:05] WS: So many go to college. They get the degree just like you did. I mean – Then they're in their career for a while, and then it's like, "Wait a minute. There's this things over here in the real estate that I could do that I think I would like a lot better." They pursue that. But not only that. I mean, you moved here just for that degree and you didn't just move from like Georgia. You moved from India.

I mean, you moved a long ways to get that degree and to pursue that career, which you did successfully. But then you changed that path, and I wonder. Did you receive any pushback maybe from family or friends saying, "Wait a minute, Pancham. We've spent all this time and money. We've been – Moved to the US. Maybe you shouldn't pursue this real estate thing. You need to stay focused over here." Did you receive any pushback like that?

[00:05:53] PG: Oh, my God! Yeah. Thanks for asking that question. I'll tell you, in 2011, '12, that's when I read *Rich Dad Poor Dad* and *Cash Flow Quadrant* around that time. That really changed my mindset completely. When I was deciding on quitting my job, my parents, my life, my friends, every single one of them were against it, because I had a very high-paying job in New York City. All the negative thoughts like, "Okay, what would happen if you quit? What about the health insurance? What about the benefits? What about 401(k)?" My parents, my wife, all of these guys were against it. That also kind of brought me down from the mindset point of view.

It was very hard for me to quit, because they were right in a sense that this is like extremely high-paying job and you're trying to go into something which we don't even have remotely close passive income. How are you going to do that? So it was very, very hard. What I actually realized and I was talking to myself a lot about this, I realized that I'm not going to be able to do this alone. I need to condition my mindset and come out of this thing so that I am so confident in leaving my job and focused on what I want to do versus what I'm doing so far. So I actually hired a mindset coach, just to help me quit, and he helped me quit this.

It's a funny story. The day I made that decision, I go to my wife and I tell her, "You know what? I'm going to hire a coach to help me quit." She was like, "What?" I'm like, "To help me quit." She's like, "Oh! If you want to quit, just go quit. Why you have to spend money to actually go and how to not make money? Like spend money to hire someone to how to not make money. Like how to quit." I was like, "You know what? You make it sound so simple, but it's actually very hard for me as well to quit, to be honest with you."

Yeah, I actually did that. I got external help. Long story short, now my family, my wife, everyone is on board. I told them, "Give me two to three years of timeframe. I'll make it happen."

[00:08:25] WS: So then you created a timeframe. You said two to three years. Did you stick to that? Were you able to do that in that amount of time?

[00:08:32] PG: No. What I'm saying is that when I quit, which was very recently in 2019. July 3rd was my last day at work, so July 4th. It happens to be the Independence Day. It was my first day without the job. So no. What I told them was I want – Give me two to three years from now to make it happen, and I'll make it happen. What I did, I saved up enough to make sure that I can survive for two to three years without worrying about expenses.

[00:09:05] WS: Good for you. No, that's awesome. That's awesome. I mean, I've had it. I know lots of other people that are listening have had those same doubts, and they probably haven't even thought about hiring a mindset coach like you did, which could be so useful depending on where you're at in your journey of leaving your JOB. So that's awesome, because there are so many things. Until you've entered the entrepreneurial world full-time, there's a lot of things that you just don’t think about or we cannot take for granted to some extent. But then too, I’ve seen so many people. It’s like once they leave their JOB, it’s like, “Then there’s just no ceiling.” They can devote so much more time to their business, and things just really take off.

Somebody told me one time, it’s like, “Whitney, what’s the worst that could happen?” Even if you lost everything – Let's say you tried and you lost everything, most likely you're still going have a family member that would take you in and you’re still going to have a roof over your head and food to eat.

[00:10:03] PG: Right. Yeah, you don’t think about those things. It's actually very, very rewarding when you get to spend time the way you want it. I have to make one – I recently quit, so I have to tell you one thing that you have to be extremely disciplined as well, because day goes like this that you are – You have to be extremely disciplined with your time. Before, you had someone else telling you what to do. Now, you have to figure out what to do and you also do not have any money coming in. You have to figure out all of those things out, so it’s not easy. It can be a drain on your mindset, so you really have to be strong from inside and you really need to know your why. That will drive you, and I think that's very, very important.

[00:10:48] WS: Give us a little bit on that or elaborate on how you’re disciplined with your time like you're talking about.

[00:10:53] PG: So I am trying to get better at this even now. What I'm trying to do is to really work on the high-value items, spending the time on the things that will actually bring me the most ROI. That ROI could be more subjective or it could be very objective. So let me give you an example of both. So very objective would be, let's say, I am recording a podcast. Before, I was editing all my podcasts myself. But it’s a $40 an hour job. So is it well worth to spend my time to do editing? I think not. I can hire much more experienced people who can do it for $40 an hour for me to help edit the podcast, for example, and I will get the same result. Maybe much better than what I would do. But, yes, I would have to spend that time, sort of that money to do it.

So that’s very objective outcome. ROI, you cannot measure it, but you know that expenses or investment is $40 an hour. You can spend that time, that $200 per hour time or $300 per hour time or however you value your time on the stuff that is important. So that's very objective. Then the other thing is the subjective thing would be working on your health or spending time with kids, playing with them. That you cannot put an ROI on. It's just a lifetime value or the gold time I call it that I would spend.

So these are the two things that I try to focus on. Trust me, it is. I'm trying to get better at this, given that I don't even have a full-time job. My wife takes care of our two young kids full-time at home. All of us are at home in a way, and it's very hard to make sure that I'm spending that time on the things that are bringing me the most ROI. It can be very difficult sometimes to figure out what's the best ROI, because you're just thinking the most time you're spending is on actually thinking.

[00:13:03] WS: I appreciate you elaborating on that because how we spend our time is so important, and especially when, like you said, the day can go by so fast. I mean, before you know it, you spent three hours catching up on email or reading something that's really not that important, and half your day is gone. So it's important that you know where you're spending your time.

[00:13:24] PG: Even versus Facebook or social media. You go on there and you go this rabbit hole and you don't even know. It's 20 minutes gone by, and you're on that.

[00:13:34] WS: Yes. So tell me about how you got into your first syndication though. I think you were still working I think at that time. But tell me how that happened. What was the keys to getting to that first syndication?

[00:13:46] PG: Yeah. We bought our first deal in Charlotte. We actually have sold that now and we have completed that cycle fully. That one was a 44-units deal and very close to downtown Charlotte, and it was in an up-and-coming area. It was a $2 million deal. We actually sold it for three million very recently, three, four months ago. The reason – The way I got into that deal was like going and building relationships with brokers and trying to be on their email list as you know all these brokers have their list that you can subscribe to and going there and meeting them.

So this deal came as one of the emails on their email list as an off-market deal. It's funny that when this deal came around, we were looking around in that area and we were not able to get into any best and final rounds at the time. You were always getting outbid. In this particular deal, exact same thing happen. It was around January timeframe. January or February timeframe where we put in an offer for – They were asking for 1.75 million. We said 1.5. They came back with 1.7. We said 1.7. They came back with two million. Yes, exactly. We were like that. What?

So we kind of dropped it. They gave out a reason on why that's the case and how it would be better in three months' timeframe. We actually dropped the idea but we had this deal in the back of our mind and we reached back out in three months' timeframe. It seemed like they had done all the things they said they would do. The two million made sense, and we actually got the deal and we had to raise about $781,000 for this particular deal to implement our business plan and to close and all that stuff.

So that was our very first raise. That big raise that we did, and it's me and my partner who did it together. It was not easy. We actually put a lot of our own money in to make sure that the investors see that we are putting a lot more than actually required in the deal to make sure that we are fully vested in the deal. So we were able to raise 781 with our – From our friends and family. Since we were working full-time, I did not want to go out and blast out the deal or talk to as many coworkers, because we were trying to keep it low at work. So they were not colleagues, and none of these colleagues were – Other than one or two were in the part of the deal.

[00:16:28] WS: Yeah. I remember you and I having numerous conversations about things. When you are still in the job, you had to be careful about the real estate business or blasting out a podcast or anything like that. Obviously, now that you've left the JOB, you can do that. But that would be difficult, and I've met other people that are in the same boat where they have a job where it's like if their employer knew that they had some other business on the side, they're probably going to let them go.

It's interesting. You were able to navigate that and now able to leave your job and you're able to get that first deal done, the 44 units. Tell me about though, building your team, I know that there's a team of you. Tell me about how you built this team, so you could go on and do more deals now as well.

[00:17:12] PG: Sure. As I always say, and I'm sure you've talked about it multiple times, real estate syndication and then real estate in general is a team sport. So a team is extremely, extremely important. I consider few people very, very internal part of the team. One, the CPA. Really, really important.

Second, real estate attorney who does the transaction. Third, a syndication attorney. Fourth, your business partner obviously. I have one partner. Then your investors. All of these are part of the team and how I build this team I would say, let me start with the attorneys. This is all the time working with different attorneys. We have used multiple syndication attorneys. But at this point, we have one we feel very comfortable with and we want to use him or her going forward.

Then we have our transaction attorney who works in North Carolina and South Carolina and Georgia. We use him all the time and we're very, very comfortably him. We have built this relationship over time with them. Now, they know how we work. We know how they work. So it's like this relationship. I send them an email. I get an answer like in – Within 10 minutes or so. Any questions they will answer and all that. So that's one side.

Then the other side is choosing my own business partner. So I'm fortunate enough. My business partner and I, we knew each other for 14 or 12 years. Since 2007, we were colleagues. He and I, even though we have the same engineering background, we have very, very complimentary skills. So that actually made a good partnership, and trust was there, and the complimentary skills were there, and the passion for real estate was there, which is very, very same among both of us. So we felt that.

That's how I decided on being partners with him. So that's the second side, and the third side is the investors. That part is a very long term and always evolving thing where you have to take care of your investors. You really have to find what they want. You have to nurture it as you are a farmer. You have to sow the seeds, and sometimes it takes a long time before you even see the fruit just like farmer, versus a hunter who goes out and hunts for the day and is done. So, yeah, I have had investors where I've been talking to them for three years now, and they have not invested. It's only now that I've quit my full-time job they want to invest.

[00:19:53] WS: Why do you think that is? Why the change after quitting your job?

[00:19:56] PG: No. Because now, they see that what I have been telling them for the last three years I've actually followed through and I've done it. Then I have always told them this is something that I really, really want to do, and all of these guys are actually very high-income earners, high-net-worth individuals and they – A lot of people are asking them for money, and they're not going to just open their wallet and give you the money. They have to see if the person who is saying something that they will do it, whether they have done it.

So I feel me quitting the job actually has helped in that respect where all these people who were either on the fence or they were thinking has now come out and said they will invest in our next deal. So that's the – I don't know if I answered your question. Long-winded answer.

[00:20:43] WS: No. I just wondered what that mindset shift was in the investor about you quitting your job to now they want to invest. But like you said, they see. They see that it's worked for you and then probably another level of commitment thereto, now that you're doing this full-time.

[00:20:58] PG: Exactly.

[00:20:59] WS: As opposed to something you're doing on the side.

[00:21:01] PG: No. That's absolutely right. In our last deal, which was a $19 million deal, we had a $7 million raise, and I actually did not want to do that deal myself if I wasn't in it full-time because I don't want to take $7 million of investor money and be working on this W-2 job. It just didn't feel right. So, yeah, it's really important.

[00:21:26] WS: So, Pancham, what's been the hardest part of this syndication journey for you?

[00:21:30] PG: The hardest part? I think I would say for me, the hardest part is finding the deals. Really finding the deals, number one. Number two, sticking with the business plan. We get – Sticking with the criteria. We get so many deals. These shiny objects, so to speak, come our way that we could actually do them, and they might be profitable too. But really sticking to your core criteria is really important, and we have to say no more than we say yes. I think that is very hard. Very hard to do. I'll give you an example. We had a deal. It's a really good deal in Kansas, we feel. That was – Came our way. I think it was more than 150 units Kansas City. We actually passed on that deal, and it was very hard to do that, because Kansas City was not one of our markets. So yeah.

[00:22:31] WS: You start your criteria. Yeah.

[00:22:33] PG: Yeah.

[00:22:34] WS: But tell me, you said finding deals has been the hardest, and I don't think there's many listeners who would agree with that statement. What's a way that you all have overcome that or to find deals now?

[00:22:43] PG: It's a constant work in progress. I don't think I have one answer to that. We've been just hitting the pavement real hard, really traveling a lot, making – Meeting with the brokers, building relationships with the brokers. We have six markets that we focus in. We're really trying to be active in those markets and just hitting the pavement like really nothing – Something that we are doing special is just putting in the hard work that is needed to make sure that if there is a deal, we get to see it least, if not win it. Yeah.

[00:23:20] WS: How are you prepared for this potential downturn that everybody's talking about?

[00:23:24] PG: That's a good question. We talk about it all the time. For that, that's where we came up with our criteria that what we are going to be focused on, and we are not – We're sticking with it. We are not going – Shining away from that. What we feel that if we stick with our criteria, we would be okay with the downturn, and our criteria is – I can give a brief synopsis if you want.

[00:23:48] WS: Sure.

[00:23:49] PG: We have our six markets which are where the jobs are growing. We are looking in three markets in Florida; Tampa, Jacksonville, Orlando, Atlanta in Georgia, and Raleigh and Charlotte within North Carolina. So these are the only markets we are looking at and for all those good reasons; population, job diversity, overall jobs, millennials are moving in, builders are developing, all that stuff. So we feel when the downturn comes, these markets will be the last one to see the impact and the first ones to come out of it.

So market is one and then the asset quality itself. We have criteria around that. We are not looking anything before 1985 going forward and looking at the value-add component and making sure there is a value-add by looking at the proper rental comps and doing the survey, talking to the tax assessor. That's one thing that is really, really, really important I feel that these real estate prices have gone up so much.

We were talking to this tax assessor guy in Jacksonville and also in Raleigh. The guy said that they are going to increase the taxes on apartments the most, and it was the same sentiment across different markets, different tax assessors that multifamily is going to be the highest hit with the taxes in the next assessment cycle. So it is extremely important, and I want to stress this to the listeners that this is one expense that you cannot reduce. It's extremely hard to reduce. You can't fight the challenge and all that. But you have to make sure, when you're buying a deal if it is at a premium, you have to know down to the numbers, to the pennies what your taxes are going to be.

Yeah, I digress there. But yeah. Those are the things that we try to look at and make sure that we are focused on that criteria, and we think it would be fine with the downturn and we make sure there is enough capital that we can do that strong if it hits us.

[00:26:01] WS: Appreciate you elaborating there. The taxes are definitely something that need to be hammered home that people are looking at and asking questions about. When is it going to be reassessed? Different states and counties do it differently, and so you have to know specifically in your area when is that reassessed. It may be every year or may be every two years or three years. Or it could be very different and get you by surprise if you're not familiar with that [inaudible 00:26:24].

[00:26:25] PG: Absolutely.

[00:26:27] WS: What's a way that you have recently improved your business that we could apply to ours?

[00:26:32] PG: Multiple things. One, we are trying to look at our business, all, what is needed within the business. One is the investor management side of things where we have a lot of people who – A lot of investors who ask questions, and we send out these updates. So we have been doing all of this little manually, so to speak.

What we are doing now is we are actually investing in an investor management portal to kind of help us with the raise and also after the deal is closed with the overall ongoing communication so that it's more like 401(k) account that people have, they are familiar with. When they log in, they can see exactly how many the – Where they have invested. Same way here, they will be able to see what deals they have invested in, how much returns they have gotten and all that stuff. So we are improving our business. We are trying systematizing that on the investor management side.

Then on the finding the deal side of things, we are trying to systematize it again by trying to create a process around that, having a person helping us. We are not there yet, but this is something that we're working onto help us with underwriting. I mean, I spent so much time, I can't even tell you, underwriting these deals, and 90% of them don't even fan out. They don't even go the first filter of after you underwrite. So, yeah, we're trying to outsource that.

Then third, I would say talking to the new investors. That's something that we feel that we cannot really outsource. You have to do that yourself at least in the beginning. So that's where we're spending most time, really making sure we can talk to the new investors and explain to them and spend time with them, build that relationship that is needed by SEC as well, which they call pre-existing relationship.

[00:28:25] WS: What's the number one thing that's contributed to your success?

[00:28:29] PG: Persistence. Being very persistent on your goals and what you want.

[00:28:36] WS: Tells us how you like to give back.

[00:28:38] PG: There are two ways that I like to give back. One is I have raised capital money for this society called LLS, Leukemia & Lymphoma Society. My three aunts have had cancer, and I've tried to raise money for them. I did events with them in the past to raise money for them. So that's one.

Second, what I do is I'm trying to now teach people who are high-paid professionals on personal finance and these – Especially software engineers, people who are like me who are invested. Most of their money is coming from Wall Street, and their net worth is also tied to Wall Street and in many cases to one stock. So I started this podcast, The Gold Collar Investor, to teach them about personal finance. These are the two things I'm trying to do.

[00:29:33] WS: Pancham, tell the listeners how they can get in touch with you.

[00:29:36] PG: Sure. So my email is at – They can email me at p as in Paul @thegoldcollarinvestor.com. I'll repeat. p@thegoldcollarinvestor.com. I'm on LinkedIn, and they can reach out to me on LinkedIn as well.

[END OF INTERVIEW]

[00:29:54] 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]

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