EPISODE 458

[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 Reed Goossens. Thanks for being on the show, Reed.

[0:00:32.7] RG: Good day, Whitney. Thank you for having me. Much looking forward to our conversation, I've seen you been massively all over social media, so pumped.

[0:00:40.7] WS: Yeah, I appreciate that, I'm honored to have you on the show and we've talked numerous times and for a few years now and I'm honored to have you on and looking forward to this conversation as well. A little about Reed, before we get started. In 2012, he quit his job in Australia and moved halfway across the globe to the US to change his life and to chase his dream.

With limited funds, no investing experience and no credit, Reed went from purchasing a small duplex to growing his own real estate investing firm, Wildhorn Capital. Now syndicates large multi-family, million-dollar deals across the US and host a successful podcast called Investing in the U.S.

Reed, I'm looking forward to this story, I know the listeners are going to relate to this because they probably feel like they're stuck at the moment or this seems like too big of a thing to tackle or this whole syndication business, there's so many moving parts. "Can I really make this real estate investing thing happen?"

And so, I love bringing stories on like yours, it's like, "Wait a minute, my position's not as bad as yours was, you know?" You have made it happen and I know it's come with a lot of hard work and many hours, no doubt about it. Get us started and let the listeners know a little more about you. But let's dive in to how you made this happen and back us up a little bit to – we want to hear some of these difficulties so we can relate.

[0:01:59.9] RG: Yeah, well, backing all the way up. My story is, I graduated from University of Queensland in Australia 2007. My background is in structural engineering, that's what I do, that's what I did. I went abroad to Europe, to London, I moved to London in 2008 and worked in the 2012 Olympic games as a structural engineer. And then in 2009, I moved to the south of France and took a year of and I was a deck hand for a Russian billionaire on a mega super yacht in the south of France.

During that time, I met my now wife, then girlfriend, Erica, who is American. Fast forward a lot, I sailed across the Atlantic Ocean, had a great time, fell in love with the United States because I came bac packing through the United States back in 2009. And then moved back to Australia, had this two years of being abroad, met this girl in my life, I wanted to move back to the United States at some point. But also wanted to take control of my life and living in a cubicle and being an engineer, I love studying it but I didn't love doing it and being trapped and having two years living abroad really got me going like, "How the hell do I pay myself to live my life and to travel?"

And that's when I picked up the book, *Rich Dad Poor Dad*. That was a whole mindset change of "Okay, this is all about getting passive income through real estate or through stock investing or through business investing." I happened just to choose real estate because my dad had been – is a high school teacher and he'd been investing a little bit in real estate and the fact that I was a structural engineer, probably rubbing shoulders with developers. It sort of took the blinkers off a little bit and said, "Okay, I need to take this a little bit more seriously."

Fast forward a little bit, Erica, my girlfriend moved to Australia for a year to do a master's degree in 2011. And then in 2012, you know, I'd been self-educating and REIAs or the equivalent of

REIA investment groups in Australia, I was going to do a flip or a lease option or something. Still working full time. But then I was like, “You know what? I really want to live in New York City,” and Erica had finished her degree. She’s American obviously and we said, “Screw it. Let’s go.”

I quit my job in early 2012 and when I turned 26 of March, my birthday’s in March 24th and when I turned 26 back in 2012 and you can do the math to determine how old I am now, we moved to New York City and I didn’t have a job. And I literally pounded the pavement until I found one. What I did differently was that I knew that putting my resume in indeed.com or whatever it was, so I wasn’t educated in the United States so saying not someone like me with a structural engineering degree that wasn’t from America was very easy.

I had to make myself different, I went out there and just door knocked and literally had an A4 piece of paper with all the engineering joints or firms, in New York City that I thought was less than 30 people because less than 30 people means they didn’t have HR and they don’t have gatekeepers.

And so, within, I think, two months of being here, I got my job, I got the visa, got an apartment so that was the check, check and check and then you know, a couple of months later, I was starting to attended my first real estate investment club, the New York REIA, and I had to change my entire mind shift about investing lingo here in the United States. and I didn’t understand what cap rates were and the fact that America had the lowest barriers to entry of any – compared to where I come from, I bought my first property within six months of being fresh of the boat for less than 40,000 bucks, a triplex in Upstate New York, Syracuse.

Now, it was section eight housing. It was in class D neighborhood. But I got started and you know, my whole journey about taking the leap of faith and moving here, you know, burning the boats and moving to the country where you know, I wanted to give it a go, give it a crack, I did it and then I realized, “My gosh, the barriers to entry are really small.” And what Kiyosaki says about getting passive income like getting started with my own cash and that’s how I did get started and t hen over the year, since then, I’ve flipped houses, I’ve done put little portfolio single family houses.

It wasn't till two years ago that I actually achieved financial freedom. And that was by and large to do with my green card. I had to get married first obviously. But then I got to a point where I've done enough deals on the side and I could quit the corporate world and go out on my own. Bit of a long-winded introduction but that's kind of how I got started.

[0:05:55.4] WS: Wow! I just like the listeners to hear that story though and think about how you came here – I mean, everything would have seem like it's against you, right? I mean, coming to the US, you mentioned that it is so easy for employers to say no. But that didn't stop you, you went out door knocking and you even had a method or strategies to that, just specific people and its' so impressive. But then, within six months, you owned real estate.

You owned some rental property. Walk us from then to you know, moving in to the syndication business or commercial real estate and why?

[0:06:26.2] RG: Yeah. Good segue. 2013 I had, kind of like three little properties in upstate New York and I had – was about to start a flip in Philadelphia. And my buddy came down from Canada, a very good friend of mine who I said studied – he's Canadian but I studied civil engineering, structural engineering with him in University of Queensland back in the day.

I was sitting to having a beer with him. I'm boasting, "I've got these seven units or something," you know, something very small and you know, I'm doing this thing and it's great. And he's like "Man, that's so cool. Good on you." Then he just blurts out, "Oh, I just closed on a 70-unit deal. And I said, "Like seven zero? 70? One, two, three four, all the way 69, 70?" He's like, "Yeah. 70."

And I was like, "How the hell did you do that?" He went in to tell me about you know, other people's money, you know? Syndication, raising from friends and family and using seller carry financing to go find a value-add deal. I was talking about obviously things that I knew about and increasing NOI, doing the same strategy I was doing on my small little duplex and triplexes but applying it to commercial real estate where you're shifting the NOI and thus in shifting the value of the property and increasing the cash flow.

That just blew my mind and he just really inspired me, "Okay, well, what was the first step?" He's like, "A friend of a family had become a mentor of mine." I said, "Boom. That's what I need to go do. I need to go find a mentor." And early 2014, found a mentor and said – I knew at that point that I done a few little deals in upstate New York and was going to flip a house but still working full time, coming to the end of my tether in terms of what the banks were going to lend to me. I had a portfolio maybe of $200,000. It wasn't much, it wasn't – not to sneeze at but it wasn't going to supplement my W2.

I knew I needed to level it up. And I have been putting off getting a coach for years, I've impeached all the coaching stuff and I found someone who aligned with my interests and was a young guy out there hustling, doing the same thing that I wanted to do and I got him onboard and then we sort of co-invested a few deals together and over a period of about two or three years, I started to do my own deals.

In that time, I'm at a shift from structural engineering into becoming working for a real estate developer and I spent three and a half years with a real estate developer working as an owner's rep, building four or 500 luxury units in Long Beach, California. All of that was just like, I knew that and for the lesson for those people out there about that is that if I had to keep working at a W2, I needed to find a skillset which I had which is structural engineering that I could apply and be paid nicely to continue to learn real estate investing and business of ground up construction and that's where I went and jumped ship into the owner side and work for developer for three and a half years.

Plus doing my own deals on the side and that slowly got the momentum going, launched aa podcast back in 2014 as well. A lot of things happened over a period of three or four years, a lot of work but the lesson is that, it was an evolution, it was also about putting one foot in front of the other, talking to folks, surrounding myself with people who knew what they were doing and just keep grinding and that's how eventually I got to 1,700 units now and looking to buy more in 2020.

[0:09:25.2] WS: Yeah, have you talked about, you know, you had that one duplex in 2012. But in 2013, you said, you had three properties already then. That's so impressive, you know? Just moving here and making that happen but then you found this – you had this friend and I think that happens to a lot of us at some point.

We feel like we're doing pretty good but then it's like, just in casual conversation, you know, this guy talks about what he's doing and it's like, that many times more than what we've done. But it's awesome that it opened your eyes to even finding a mentor, you know? How did you – I know you mentioned that this person was doing what you wanted to do, they were ahead of you, they were motivated out there doing it.

Any other quick guidelines or quick suggestions you could give to the listener that you know, is looking for that mentor?

[0:10:03.7] RG: I'm very frugal with my money and back in 2013, I didn't have a ton of it. You know, moving halfway across the world is expensive, you know, uprooting your life blah-blah-blah. I didn't come from money. I saved it all myself. I've been pitched these deals; you know? 20,000-dollar mentorships, 30,000-dollar mentorships. And I was like, "No way." I needed that one on one person who I can get direct access to.

I needed someone who was – I felt that I resonated to, that maybe a little bit older than me. This particular person that I joined, he'd only done on deal but it was enough to prove the concept and that I could use his credibility to build my own credibility and that was all it took. It really – I knew I had it within me. It was I guess, parting ways with that check to pay the mentor in order to say, "Okay, I'm now worth. I can give myself permission to do that. I'm worth to go and achieve what I want to achieve," if that makes sense.

Find someone who you resonate with because that's the most important. And look, he was a mentor for a period of my time and my growth, I have now a different mentor today. You don't have to keep with them forever. It's probably like a two-year, three-year sort of thing and then you go on to someone else.

[0:11:08.3] WS: Yeah, three properties to 1,700 units, that's very impressive. Get us to the syndication to the larger deals that you're doing now and you know, going from the smaller deals which is like you said, it's no small thing, it's awesome, you know, if that's your thing you're focusing on but you moved from that to the commercial business and get us to that – getting to that first large deal is difficult.

[0:11:30.2] RG: Yeah, back to the mentor. Made a move in early 2014 back to Los Angeles from New York. At that point, just started doing stuff to try and build my investor database and that was hosting meetups events and through that meetup event, I met a gentleman who is still working full time but was an analyst and was looking at deals. And anyway, I had my mentor and I sort of introduced the two of those guys and I took a piece of this deal that they went and took down in Houston and I raised a bit of money on the deal and helped the underwriting and the due diligence.

We just figured it out you know? This first deal was this particular gentleman's, Frank's, first deal and it was my kind of first deal and you know, my mentor was involved as well but helping with the money side of it and the financing. It was just figuring it out, rolling up the sleeves and that was in early, I think mid-2014. And then from there, those two went off and created a very successful partnership and at that point, I pivoted to the ground up development space and wanting to be an owner's rep and still helping supporting them as much as I could but from there, built up a little bit of track record and some of their deals they're doing.

And then middle of 2015, you know, started underwriting my own deals, started get my systems under, you know, I knew that if I was still working full time, I couldn't underwrite the deals that were coming through. So, I went and hired some analyst from USC and our underwriting three or four deals a week, under grads so I could see these deals and I was making offers. But one thing I was missing was the boots in the ground, I was this Australian guy calling from LA, you know, these Dallas brokers and these Austin brokers and the San Antonio brokers, like "Who the hell's this Australian guy calling me?"

I was getting really close, I was getting offered the best and final and all those sort of – clearly, my systems were working, my underwriting was working but the boots on the ground piece the relationship piece wasn't working. I was losing out. I remember 109-unit deal in Dallas that I lost out by like 30 or 40,000 bucks. And it was literally because I just didn't have that same relationship. Hence, I needed someone on the ground and that's where I met my business partner Andrew Campbell and he lives in Austin and he was able to sort of go shake the trees, the lemon trees so to say. I determined if we make lemonade or lemon juice out of those fruits.

Really, that was the impetus to get the systems, you know, doing it on my own, get the system set up, understand where my bottlenecks were which was underwriting the deals and just being – having to still work full time, it was just part off like, “Okay, going to get out of your own way.”

Spending a bit off money on employees, even though they weren’t noticed little guys from USC, getting an hourly rate and then going, finding a business partner who had complimentary skillsets to me in order to go and scale this business and go in to her first major deal on our own.

Very systematic in what the way I approach it. A lot of hard work in there that you know, for your listeners listening out there it’s not is one, two, three, equals four. It was one, two, six, back to negative two, you know, there’s a lot of work. Yeah.

[0:14:11.0] WS: Could you just give us a couple of points on liked you know – you found Andrew and you talked about, you’ll have complimentary skills. How did you know that, “Okay, this guy is going to be fantastic partner.” Obviously, you know, you all have done so well, it’s been great, even myself to see your all’s growth and success and just the brand and company, you know, that you all built. But what was that in him that you’ve seen?

[0:14:30.9] RG: Yeah, I had been involved in other partnerships before, obviously with my mentor and his new business partner Frank, saw how those two got on. I had flipped a couple of houses in Philadelphia prior to even moving to and getting involved in syndication and they didn’t work out very well. And I understood looking back at like what were the lessons learned. It’s sort of – not as a failure and a flip and then seeing a successful partnership from the fly on the wall with Frank and my mentor’s new business partner, seeing them you know, have a synergy. And then seeing what I didn’t want from the flipping point of view when I did a few flips in Philly back in 2013.

So really understand – like this wasn't my first rodeo in terms of assessing someone in their ability to be – help me grow and help me achieve my dreams, as much as I'm helping him, Andrew, Achieve his dreams.

It really is about okay, "Well, I'm the numbers guy. I love my systems. I'm detailed oriented. I was also at arm's length. I live in Los Angeles." So those sort of things that are actually good where you can have someone else who is like, "Okay, I'm going to be boots on the ground. You know, I'm going to go schmooze brokers. I'm going to go see again," you know, put that analogy of shaking the tree and seeing the fruit fall off, is awesome.

Then he saw me the fruit, see if we can make anything out of it. And me not being in the market and me being a little bit of arm's length away makes it better because when I do fly in, it's like, "Oh, Reed's in town, you know? Everyone's on their best behavior." So, it's like little things like that. But back to the partnership side of it is this – you know, it takes, I don't know, it's a sixth sense, seventh sense, whatever it is.

It becomes ingrained in you after you see a lot of folks be successful and how they've been successful. If you're too alike, the business partner approach, you know, syndication is a team sport. You can't do it all on your own. If you got two business founders who have very similar skillsets and you're missing some players on the bench that you need, that's not going to be as maybe successful as to complimentary, the yin and the yang.

To make sure you're going out and covering all the bench spots that you need, in order to go and close on your first multi-family deal, yeah.

[0:16:31.2] WS: I think it's a good place for – if you could elaborate a little bit on – it doesn't have to be you and Andrew specifically because I know just like myself, you know, lots of operators in the space. But you know, some skills that were helpful that you had versus Andrew and like you're talking about if you had the same skills, well, that's not as helpful obviously.

You know, you both have different skillsets and what has that been you know, kind of across the industry for numerous operators or specifically for you and Andrew that you've seen, "Okay, it's great that I have this and he has that."

[0:17:01.0] RG: Yeah, for me personally, I've been involved since I graduated in 2007 on the commercial W2 front. Probably a half a billion dollars' worth of ground up construction across different infrastructure. I'd done some multi-family, done some retail, all over either structural engineer or an owner's rep.

I came from the construction world and I always, I see sort of two types of folks, or maybe even three. You got the guys that come through, you know, 'the tools,' I call it. That's really where I came from and you go the guys who come through maybe law or Wall Street or you know, marketing or something a little bit different and it's two sides of the coin and I definitely came from that, the tools, the boots on the ground and getting in the mud and getting dirty and understanding how to build stuff. How to understand the construction management and running schedules and running crews and all that sort of stuff because that was what a structural engineer does and that's what an owner's rep does. And so, having a decade of that worth experience is very valuable and that a lot of people maybe not necessarily have that.

Not that I had a leg up but I definitely had an insight into how the big boys do it, how the institutional folks do it. And all of these institutional folks that I am rubbing shoulders with don't have a podcasts, don't have books. They are just out being sharks, doing what they are doing, right? So, I came from that world. Andrew came from a marketing world, relationships more salesy, you know salesmanship stuff.

So, you can just in those two skillsets you can see it balancing each other out and when you look at your own partnerships for those listening to the show, look at what the traits are. And we fell naturally into you know, our roles and responsibilities but we had after we did our first deal together, it automatically just trickled down into, "Reed does this and Andrew does that." But we had to define it. So, we can make sure that there was a clear delineation of who does what because also the other thing is you don't want two people doing the same thing.

So, building a system up again on understand, "Ok, well Andrew does this and I am going to do this." And make sure that I got this side of the business tied up and I know he's got the other side of the business tied up so.

[0:19:01.3] WS: So, what are a couple key systems that you would say were crucial to going from just those few properties in 2013 to 1,700 units now?

[0:19:10.8] RG: The clear realization that I am sure a lot of the folks listening to this podcast maybe have a W2, you need to understand what your shortfall is. And my shortfall wasn't necessarily underwriting or understanding how to run a spreadsheet or math. It was just getting out of my own way and knowing that I had to spend some money to free up time to do other things in my business.

So, I go back to the 2015 analogy where I was like, "This is crazy. I am working 60 to 70-hour weeks in a day job and I need deals to be underwritten. But I don't have the time myself to do it." Well then go on and spend 20 bucks an hour on a person who can underwrite four deals a week. And if you teach them how you want to underwrite, you know how you want the deals to be underwritten then they can just go off and do it. You can just email them and we have a Slack channel and we have all of these systems build up. That was the most liberating thing I have ever done.

I also remember when I started my podcast and I was editing the first couple of shows on GarageBand and my wife was like, "Go onto Upwork and hire someone to do this because you should not be doing it." It is those less than $50 an hour tasks that even if you are working fulltime, go off and hire them so you can let the business grow organically.

And even if time is money, people have families and you got to keep the roof over their heads and they are going to have this day job and then they also want to side hustle, maybe get some stuff in the home that you can – I don't love making the bed. I don't love ironing my shirt. So, I get that done somewhere else, right? Taking that off my plate and it costs me less than 10 bucks an hour. So little things like that to start systemizing your every day in the home but also understanding what your systems can be established on the front end in your business in order to free up your time to focus on what I like to call black time, which is the stuff that moves the needle.

I got black time, blue time, red time and I spend most of my time in the black or a little bit of the blue but none on the red and some of those admin red stuff is you got to define what that task is and go and see if you can outsource it. So yeah.

[0:21:06.5] WS: Such good advice. I couldn't agree more and I can relate to that so well. When I first started hiring assistants, I mean it is like, "Okay, now we can move so much faster." And so. yeah, it is a learning curve, right? But eventually, I mean you are going to get there faster than doing it all yourselves. So, Reed, what has been the hardest part of the syndication journey for you?

[0:21:24.0] RG: I think the hardest part that I see in myself as well as much I see in other people to come to me and say, "Reed I want it to happen." Like I remember when I first moved to the United States I was like, "I want to have…" And I remember there were some dark times. There is just times when in 2013, '14, '15 there is three years there before I really got my first deal going, you question yourself, "Am I doing the right thing?"

I got this podcast going and what little wins can make me feel better? But I hadn't actually got the first syndication done and I think you got to focus a lot on that this takes time. And there's some folks out there who are going to achieve financial freedom within 12 months. But the reality is it is going to take five to seven years minimum. And if you don't have that mindset on the front end, you are going to constantly either one will give up or two, you won't continue to grind.

Now I understand you got to balance – not everyone could just quit their job and start focusing on this fulltime. Whatever journey you are running, you are running it yourself and you don't compare it to anyone else. So, it is the mindset on the front end, don't compare to anyone else. And it is okay that it takes time. Anything that is worth doing and building does take time and you got to allow yourself the freedom and just mental headspace to be like, "Yeah this is going to take five years."

And if you have that on the front end rather than I am going to be financially free in two years and you get to the end of the two years and you don't achieve financial freedom the likelihood of you quitting is going to be a lot higher than if you have a five year mindset on the front end. So yeah that was probably my biggest struggle throughout this entire journey.

[0:22:51.6] WS: Anything quickly that you can tell us that helped you overcome that?

[0:22:55.2] RG: Everyone is different right? And I have my own mental capacity and other people have got their own mental capacity. It is obviously – mentorships are really important, having a coach so you can have a sounding board "Am I doing the right thing? Am I moving the needle?" Perspective from someone else who is not your wife or your husband or your best mate because sometimes that is a little bit too close. Having that third party who can look in and see that you are moving the needle, "Keep going!" That is really important.

Understanding in recent years working on meditation, understanding my own person as myself that I need physical exercise everyday like taking care of me and myself first and foremost to then allow the business or the subconscious to come up with ideas of new cool things that I can go and do and relieve myself of pressures within the business. It is an ongoing – no one ever has it right but you got to start somewhere that is through journaling, through daily to-do lists, through setting three goals for the week and just achieving those goddamn three goals.

It is little steps and then when you look back over a period of a year thinking how much you have achieved in order to give yourself that bit of gratitude and mental calm as I like to say so yeah.

[0:23:59.4] WS: So how are you preparing for this potential downturn that everyone is talking about?

[0:24:04.9] RG: We are actually doubling down in higher growth markets, markets like Austin, Texas where supply and demand are still at a really good peak and what I mean by that is I did some in New York City. I come from a country where cap rates are really, really low. I built new product, it is hard to build in Los Angeles. It is hard to build in San Francisco. It is hard to build in New York City. Austin is very similar now that the barriers to entry for new product into the market is becoming high.

Planning approval takes two years. Price of square foot of dirt in downtown corridors in these sort of cities are trading just as much as what it is here in downtown Los Angeles. So when you have high barriers to entry in those markets it means that the demand is really, really high. And so when you have a really, really high demand you want to then make sure you can just try to pick off some of the existing product that are using that market because job growth is really, really important to me.

You might have less cash flow in the first three to five years but on the long ten-year horizon is that you will be a very good investment. I also think that the last 10 years that we've had since the recession is going to be completely different to this next decade and that a lot of the investors need to readjust their expectations because every man and their dog is involved in multifamily syndication it seems like now. It is understanding what's your value and how you go and create that value thinking about deals differently.

You also need the equity to go and think about those deals differently, right? So, you are investors who are expected 19 and 18% IRR's. Well, we are not in that market anymore. And you need to readjust it and at 12 to 14% risk adjusted return is still a really bloody good return. I come from a country where if you double your money every 10 years, you are doing really well. So, you know people are, "Oh, I want double my money in three years!"

We are not in that economy anymore. We are not in that market. So, adjusting that expectation of investors, explaining to them why this is a lower risk deal just for capital preservation rather than going at me a little bit more speculative on tertiary market or secondary market that may not have the stability or the job growth when the recession does come. So yeah.

[0:26:04.0] WS: I wish we had more time to jump into that right there. Are you all changing your hold periods as well?

[0:26:09.3] RG: Yeah. It was more seven to 10 years. We just did a deal with one investor out of the Bay Area. His IRR over 10 years wanted to be a 10. Every deals pencil at a 10, over 10 years so he wants to double his money in 10 years. He is a wealthy individual and he is now a little bit cap per preservation. About tax savings. So, finding more of him, you know rather than necessarily retail investor who may not be a sophisticated as this gentleman.

So, it is changing up equity. Deals can still be done. It is just the equity expectation needs to change. And if you know that there's equity out there for lower return deals, it is not a bad deal. That's what people seem to think always. "This is not giving me because I am doubling my money in five years, this is actually a lame and shit deal." That is not the case. If you go in to understand what is under the hood and understand why is it a lower return well because the risk is lower because their demand is high than what supply can give.

And so, there is a lot of competition in the market for those types of products so reducing the returns. So, understanding the nuances behind all of that is really important as we move into this next decade of the hustling 20's as they like to say.

[0:27:10.5] WS: Yeah, I like how you talk about that. It just changed that mindset around the equity and I feel like you are either going to change ahead of it or you can may be made to change later, you know? So, what is a way that you all have recently improved your business that we could apply to ours?

[0:27:26.8] RG: Oh, the simple thing is we are the first one in the syndication world to roll out the AB structure on equity. So, in a way, you have 25% of the equity – and this comes from really ground up construction. In ground up, you have your debt, you have like a mez equity piece, which is someone who would sit with maybe an 8% preferred but none of the back end and you may even have a second tier in there and then the GP.

It is the same adages applied into syndication except you have the debt and you know the class A investor who gets the 10% pref but none on the backend and then you have the class B investor who gets an accruing pref but they get all 70% of the backend. So that in itself allows us to split up our investor pool and see who other folks who want to sit in that class B position and let's go make better relationships with those people because they know it is about the long-term horizon, right?

It is not about you give me a $100,000 today and that seven grand a year, is that really changing your way of living or is it you give a $100,000 today and I double it in seven years' time? Or 2.5 in seven years' time, is that what's really more important to you in your retirement account or whatever that might be.

So, splitting it up, allowing and we have to respond to the markets so we still have investors who want that really safe position of the 10% pref. But we also now have a massive pool of investors who we could see just by doing the couple of deals that we have done that they just depreciated long term hold. So, we can approach them and say, "I've got this is a different type of deal, cash flow is going to be a little bit lean out of the gate for the first two or three years but it is going to have a really big, it's got this new development plan on the front end. We are trying to acquire three other properties around it to be on this particular express way in order to build up in high density and all of that sort of stuff."

That is how we come and create value these days rather than just putting lipstick on a pig. So, trying to define the way we are going and how we are shifting and how we add to value is really important and how we offer different structures to our investors in order to achieve that goal.

[0:29:15.8] WS: We should do a whole show on that sometime and that is awesome too. I love that model that you all put out and I knew when I am seeing you're also opportunity like that I know that's the first time I have ever seen that space.

[0:29:25.5] RG: Yeah, everyone seems to be doing it.

[0:29:26.7] WS: Right, I am seeing more now, yes.And so what is your best advice for caring for investors so they want to come back to the next deal?

[0:29:33.1] RG: Oh, I think transparency is the biggest thing. Transparency 100%. If things are going to go wrong, let's say the last 10 years has been the golden era of commercial real estate where you could literally do anything you made money, right? This next 10 years you are going to short the oats from the chaff and you are going to see who is worth their salt. And you are going to have to understand that there is going to be communication issues with things that are going to come up.

I always think about buying existing deals like buying an old car. A head gasket might blow. It might cost you more money then why don't you have cash flow for that first little bit of time. But as long as you are being transparent and consistent communication with your investors over time, they will know that you've got their best interest at heart and you are doing everything you can when something does come up and let us be wrong.

As deals get thinner, cash flow gets thinner, operational budgets get thinner. You need to understand where the skeletons are in the closet and making sure that – treating your investors with respect and dignity that they are your partners. They need to be abreast of what decisions you are making and why you're making those decisions if something pops up then they are only just going to be more forgiving. It was like, "I get it, you are doing the right thing by deal, you're doing the right thing by us I think I appreciate you for the communication and yeah, let's keep chugging forward." So yeah.

[0:30:46.2] WS: What's the number one thing that's contributed to your success?

[0:30:48.9] RG: I think the number one thing for me is still fear of regret. You know taking that first step and moving half way across the world was that I just feared that I didn't give this crack right now – and the worst case scenario when I first got on that plane was, "Well. If it doesn't work out, I move back to Australia and I will get my engineering job again and all of my family and friends are here," like that was it.

Understanding what the downside is, if you are okay with that downside and that allows the mental clarity to go on and take that next step because you don't want to have the fear of regret when you wake up when you are 70 and you go, "God, I wish I've done that," or "God, I wish I had given that a crack." That is what has been probably the most driving motivating factor for me today and will continue to be for me in the next rest of my life. I'm in my early 30's and the last, I picked up the book, *Rich Dad Poor Dad,* in late 2009 and we are now sitting here literally a decade later.

A lot of things can happen in a decade. It is about hustling. It is about making sure that the mindset is correct in the front end. Rolling up your sleeves and you are not afraid to get dirty. And always continue to learn like I am not sitting here that I am some sort of guru and I pretend that I know everything. I don't and I will always continue to learn. I think that humility and keeping your feet placed firmly on the ground you don't get your head in the sky is really important to really growing a real estate business or any business I might add. So yeah.

[0:32:07.1] WS: That is awesome Reed and before we have to go, tell the listeners how you like to give back.

[0:32:11.8] RG: Yeah, I've got my own real estate investment podcast. I have been going for about four and a half years now and it is a weekly show and I interview other folks like yourself, Whitney, and I can't wait to have you on my show with just about their journeys, right? Being vulnerable with people and showing the dirty laundry about the journey. Everyone talks a lot about success and success is not what you learn. It is about the struggles in terms of getting towards that success.

And I've had some failures along the way. Now failures has been small and you just got to get back on the horse and keep going. And that is totally what the show is about and about the journey because too many people go on shows and "Oh it is great and it is easy and it is just one, two, three and you're done." You know? It is about being vulnerable and open to people. So, the listeners can understand the struggle that we've all gone through to achieve success whatever that might look like.

[0:32:57.0] WS: Well thank you so much Reed for your time and sharing your expertise and your amazing journey all the way from halfway around the world and coming with little to nothing and how you made it happen ultimately. Your drive, I hope the listeners are just feeling that you know from you and like, "Okay I can't get out there and make it happen," just by listening to you but tell them how they can get in touch with you but then also be sure to tell them about your book if they need to look up.

[0:33:22.0] RG: Yeah, so the easiest way to get in contact with me is jump over to reedgoossens.com. There is everything on there, the podcast, the two books in the background if you are looking on YouTube. Just hit number one bestselling on Amazon, *Investing in the U.S.* and I've also got the second book, *10,000 Miles to the American Dream*, get your hands on either of them. Both of them is just really about the journey and the story and how I learned the different ways of investing here in the United States.

And yeah, if you're ever coming through LA and you want to hit me up for coffee or a beer or lunch and just want to talk shop, you can email me at info@reedgossens.com. I am always – long as you give me enough warning, I am pretty flexible with meeting up with folks so yeah.

[0:34:02.6] WS: Awesome, thank you, Reed that's a wrap.

[0:34:04.3] RG: Thank you mate, I had a great time and I appreciate being on the show.

[OUTRO]

[0:34:07.3] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real 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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[OUTRO]

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