

**EPISODE 468**

[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 Danny Randazzo.

Thanks for being on the show again, Danny.

**[00:00:33] DR:** Thank you for having me, Whitney. A pleasure to be here as always.

**[00:00:33] WS:** Yeah. I'm happy to have you back. Danny is out there, crushing it and making waves in the syndication world. That's for sure. Or in his group. I'm looking forward to this time and just catching up with him.

But a little about him, I would encourage you to go back and listen to a couple other shows that he and I recorded. We're just talking about his journey in getting into the real estate business. I mean, just an amazing story of him and his wife moving across the country to make this happen. Their first investment was a million-dollar building. Quitting a corporate job, a consulting job at age 30, becoming a millionaire at age 29 and a national speaker. He's also an author of *Wealth Lessons For Kids*, which I would highly recommend you check it out on Amazon.

But now, he controls over \$225 million in real estate, and so a big transition, and Danny is crushing it, like I said. Danny, I want you to give us a little update about what you're into now in this business that you all are growing, and let's dive in.

**[00:01:30] DR:** Yeah. My partners and I am passiveinvesting.com run a multifamily investment firm. We, like a lot of people out there, bring private investment opportunities to the everyday person like you and I in an effort to have a good investment vehicle outside of the traditional stock investment or mutual funds and things like that. We all love real estate for kind of the big four; cash flow, depreciation, equity appreciation, and other tax advantages there.

That's why we do it. We love what we do and we just try to put together great opportunities for our investors and us to participate in, to add long-term value. I always tell people, "We want to be doing real estate for the next 500 years." So we're not thinking about one deal ahead or the short-term. We're really thinking about that long term vision and how to build relationships for the long term and create long-term value over any sort of short-term gain that we may have.

**[00:02:41] WS:** Nice. Why don't you tell us a little about like your role on that team, passiveinvesting.com?

**[00:02:47] DR:** My role is really – We kind of break things up across three different areas. If you think about kind of like the front end process to acquiring an asset, you have the physical inspections, meeting with brokers, kind of handling that relationship and deal flow.

One of our managing partners, Brandon, kind of runs that. With his background, it's perfect because he is very familiar with construction materials, quality of a build, the integrity of a build. He's got a fun little drowm that he flies up, and it will measure roof schematics. It'll inspect shingles. It'll check for the squareness of the roof to make sure that there is no foundation issue or any sort of structural support issue with the buildings.

Then my role kind of comes into the middle. It's all about the numbers. So anything from analyzing a new opportunity, I'll do the underwriting. We'll review it with the team. Then, of course, anything to do from a financial perspective as far as asset management, how are our

assets performing against the business plan? Are we on track? Are we off-track? What do we need to do with the teams?

Then working with a lot of our support networks. So whether it's attorneys, lenders, managers, property managers, regional managers, insurance agents, brokers, all of those types of people, anything to do with the running of the asset kind of falls into my territory. Then we've got kind of that third piece of raising money, investor relations, marketing, kind of ongoing investor communication as well. All of that falls to our third managing partner, Dan, who really takes care of that.

What we found is when we break up the roles and activities in that way, and I think ultimately, whether you're a single individual doing syndication or if you have 20 partners on your general partnership team, you need to have someone wearing the hat and/or doing each of the roles that I talk about. Your work streams, instead of having just three, you could have six. But the roles that are done within each of them are going to be the same, regardless of how many people are there.

When we look at the hats that we wear in the business, it works out really well because we're playing to each other's strengths. While one of us could do the other person's role if they needed to, they may not do it the best. Or, more importantly, they may not be fulfilled at what they do. So by us playing to our strengths, it allows us to really be passionate about what we do day in and day out. I know if I had to go and inspect structural foundational things and construction stuff out, I would be burnt out. It's just not very exciting for me, and so I'm so grateful to have Brandon on the team who loves doing it and is great at it.

It's been a huge reason for our success, having a great team and really delineating. Bringing people with individual strengths together, it's made us successful.

**[00:06:09] WS:** Brandon will probably say the same thing about underwriting.

**[00:06:12] DR:** I bet he would.

**[00:06:13] WS:** Why don't we talk about the asset management piece a little bit and diving into once you have a deal under contract? Maybe you can highlight a few things there, but I'd love to talk about even like as soon as the property goes under – I mean, as soon as you've closed, what's going to happen then and then kind of your all's plan.

**[00:06:30] DR:** Yes. Once a property closes and we've kind of developed this through lessons learned, and I think having someone experiences support is beneficial, but you don't know what you don't know until you know that you don't know, if that makes sense. What I mean by that is through closing many properties and being at the point we're at today, we have a pretty good checklist of what we need to do from an asset management perspective as soon as we close. Really, we'll start that checklist prior to closing.

But let's say for all syndicators out there, "Okay. Congratulations! Yesterday, you closed the deal. What do you do today?" Well, from a asset management perspective, it's just like running any other business, so you check in on your inventory. For us, it's apartments. How many units are occupied? What's our plan for our vacant unit?

The biggest hurdle to get over on that initial kind of first week, first month on the job as an asset manager is communication amongst the team. We'll typically set up at least a weekly call, if not a daily call for the first couple of weeks when we take over an asset, just to make sure that there's no open-ended questions. A lot of things could come up from an asset management side as far as what are we doing with bad debt, what are we doing with previous write-offs, what allocation of income and expense goes to the seller, what allocation goes to us, how do we kind of get organized.

Once you're organized there, the next step is if you're implementing a value-add plan, again, start to get back communication going. How are the renovations going to work? A major component, and this is one of those lessons learned that you don't know until you need to know, but just where are you at in the season. Peak rental season is really in the spring and summer, so I would say from March to September is pretty good. Obviously, the middle, June, July, and August are your best months.

But if you close a property in the winter, you may need to have an adjusted business plan where you're not going to be as aggressive when sending out renewals. What I mean by that is you may want to not extend as high of rent increases in the slower months to maintain your occupancy until you get into that busy season. So taking seasonality into consideration on when you close is really important and what is the absorption in the market. Do you have a ton of competition with a lot of renovated units currently available in the marketplace, or are they being absorbed quickly?

If you have a 300-unit property and you have a 10% vacancy, that means you have 30 units of your inventory. What are you going to do with them? You need to come up with that plan. Should you renovate all 30? Should you try to lease some and renovate maybe 10? That whole business plan and bringing everyone in on that conversation.

I think having a property manager and a team in place that you trust and knows the market intimately well is really important when you're getting started to set up that communication. Make sure everyone is bought into the business plan, and then you execute on that plan and you have calls and you check in on that to make sure everything is going as expected.

**[00:10:26] WS:** You kind of brought that full cycle. I'm glad you did, because you first talked about that communication and how important it is with your team, whether – And maybe even daily in the beginning and then potentially weekly. But I wanted to ask you like, when you said that who's on the team call, is that just you three at Passive Investing or is that, “Okay. Now, the management company is in here.” Is that daily calls with them every day as well? Who's on that call?

**[00:10:48] DR:** Yes. When we have a regular kind of – Once we've closed maybe 60 days in, we're going to have a weekly call with the regional manager, the on-site manager. The on-site manager is responsible for determining if the maintenance supervisor needs to be on that call or not. But it's typically our managing partners, so the three of us; Dan, Brandon, and myself. Certainly, myself as the lead. We'll kind of be flexible. If Brandon needs to be on from a construction perspective, he may do that. If Dan needs to be on from a marketing relations.

Then our other team members, we have my wife, Caitlin, who leads the design. If we have a lot of design questions coming up, we'll make sure our right team members are on that call. But it's absolutely the regional manager, the property manager. Then if we have any other kind of invited guests, we would bring them on and we would talk about all of our checklist items. That's really what we do when we're kind of stabilized. If we're still early in the process we have just closed, we may have everyone on just so everyone is in the loop.

**[00:12:05] WS:** Okay. Tell me about your process as far documenting that call. What are you looking for and how are we tracking this? I would imagine you're – Somebody is taking notes about what's being discussed and so you all can follow back up and things like that. What's your – What's a good system in documenting calls like that, so you can make sure these things get accomplished?

**[00:12:24] DR:** Yes. Prior to us getting on the call, we again set the expectation from our checklist that the regional manager or the property manager are responsible for sending a financial update prior to that weekly call. It's basic financial information, so it's current occupancy. It's our 30 and 60-day occupancy trend. How many leads came to the property? How many leases did we have? Did we have resident reviews on any online platform, which would be like Google, Facebook? Are these good reviews? What's kind of going on with feedback on the asset?

Then we'll have other stats like storage unit occupancy, garage occupancy, any sort of promotion or thing that's going on. But we really want to measure what matters. If you're not tracking storage unit occupancy, it's one of those items that underperforms typically at most multifamily assets. Whether you have 50 storage lockers or 100, you don't have great occupancy on that. But if we can measure it and see it on a weekly basis, it's top of mind to promote and remember to offer it whenever new residents are coming in.

Prior to that call, we'll get our financial update. Then during that call, it's our responsibility as the asset manager to take the notes and make sure everyone's accountable. The regional manager and the property manager can take their own notes and do their own follow-up. But we actually use a software called a Asana, and it is similar to like a more robust Google Sheet, a lot more

robust. But basically, you and I, Whitney, at the same time could login, make notes, see what each other are typing, and keep track of it, and it auto saves every half a second.

That allows us to have one place where we keep per property all of the notes that we need to have or any sort of topics. If today, I need to make a note to talk to 123 Main St. about a water bill invoice, I'll go ahead and make a note. On our call next week, I'll bring it up because I'm going to see it. It's been a really useful tool that we just recently implemented. Prior to that, we really just kind of used email, and as you know, emails can get lost or it's just not an efficient way to keep a tracking log of all of the things you talk about.

We've really enjoyed getting that software implemented where any one team member – If I went away tomorrow for any particular reason or some medical issue, all of my knowledge for the properties is listed in there, and someone could pick up, have that phone call, and be effective on it.

**[00:15:30] WS:** Nice. We use Asana for some specific things as well, and it's been very useful. However, it was a learning curve for me to like just get in the habit of using it, and I found that kind of difficult in the beginning like, "Okay, just get in the habit of going to that and making the comment there or assigning this to somebody."

**[00:15:48] DR:** Yeah. I think I use it – Everyone needs to have their own habit around it. I don't log into Asana every single day but I go when I need to get in there. I find it useful, because all of the historical information is there, and I can quickly use it or I can just go in, add my quick note, close it out. Then when I go to have a call the following week, my info is right there. I don't need to pull up my notebook or go to an email and look and search and then find it and pull it up.

**[00:16:27] WS:** Would this be a system that's mostly for, say, between you and the property manager and the teams that are on the ground? Or is this mostly for you and Dan and Brandon?

**[00:16:38] DR:** It's a system mostly for our team at [passiveinvesting.com](https://passiveinvesting.com). We use it, and then our other team members use it as well. That worked for [passiveinvesting.com](https://passiveinvesting.com).

**[00:16:51] WS:** Yeah. Okay. So your management company is not going to see the tasks and things for the property that you're putting in Asana, but it's going to allow you or the team members within Passive Investing to know to follow up on things that need to get done.

**[00:17:04] DR:** Yeah. I think you could take it one step further and give access to the property manager or the regional manager with your third-party management company. We have not gone that far, but I think it's an interesting thought. I don't know how I feel about that. It seems like it could be an efficient use of time, but I like how we do it right now.

**[00:17:29] WS:** Well, don't change it then. What are some other things that after you've closed that you're going to make certain that are going to be checked off? We got to make sure that we're following our business plan. I think you brought up a great point of knowing the season, especially maybe you're in an area where it gets extremely cold for six months or lots of snow as opposed if you're in Florida. Very different. So, yeah. But anything else as far as after you closed that maybe we need to be prepared for or thinking about before we close like that?

**[00:17:57] DR:** The other big piece is from a property management company process. Every management company is a little bit different, and some management companies that you as a syndicator may hire to manage your asset may do things differently than you expect. Technology is a big component that I would have conversations with before you close. But if you've closed and you're doing a deep dive into the property and how things are operating, I would absolutely look at any sort of software that the third-party management company contracts with or brings on.

For example, if they're using any sort of like built-on SEO company, how are they handling phone calls? Are they using a company that does third-party after hours phone calls? Do they do phone call tree routing? How do they handle maintenance requests? What do they do for their website? Is that outsourced? Is it done in-house? I would just go through all of the details of the major components of running the property.

Then as far as like security systems on the property as well, some of these management companies, they have really good group discounts for all of their clients. But you may not want

all of these services. For example, we notice one property management company had recommended that we spend like \$99 a month for Yelp reviews. We kind of looked at it and we're like, "We don't really use Yelp reviews. I don't think it's really effective. Tell me why you think it's effective." If there's not a really good answer for it, like we just need to cut that out. We don't need to spend the money on that. Or do we spend the money on a different service that gets us better exposure for potential reviews?

It's hard to give a proper list, but it's one of the reasons that we are developing checklists for when we close. A couple lessons that we've learned is around the telephone system. Some management companies pay several hundred dollars a month to use a third-party service to route telephone calls after the office is closed. That's a huge expense that you could reduce with a little tech implementation that's not too difficult. It's just a little bit of time and a tiny bit of money, but you're going to save a ton over the long run.

I would just say get into the details and make sure you look at everything. So ask those questions about how does the phone system work, how many phone lines do we have at the property committee, can we consolidate, do we need cable TV, what answering service are we using, what SEO, how does the website work, are there any built-on features that we pay for that aren't included in bulk discounts. Get into the details and just verify what you want to have and what you expect the asset to be doing.

**[00:21:32] WS:** Great advice. Yeah. That's great, Danny. It's a big undertaking, right? Everybody thinks it's so much work getting up to the closing date, and it is. No doubt about it. There's a lot of work to be done. But really, the work begins then too, right? I mean, it's a different type, but there's a lot to be done there.

I was just thinking about like having that game plan long before, knowing, "Okay. Here is what we're going to have done. Here is what we need to attract." I just wonder like how far out like after closing are you all planning this. As far as if you're doing a value-add plan, how detailed are you being as far as, "Okay. In the first month, we are going to renovate 150 units, so we know. Okay. Every month, we got to do this many and—" Or, "Okay. This week, we're tracking." How detailed are you going to get to knowing that, "Okay, we are tracking on our business plan."?

**[00:22:21] DR:** Well, you track on a weekly basis. We will look at how many units from a renovation perspective. What's our goal for a month, and you're not going to meet your goal every month. You may exceed it in some and you may be below goal in others, because it just depends again, seasonality. How many renewals you get? Do you want to keep occupancy a little higher this month to allow you to kind of onboard and start renovations, making sure that there is no hiccups in the process?

Once you get a good handle on things, I would always be conservative in the first couple of months of if we need to – If it's 150-unit complex, 120 units, and we're going to do 10 units a month to do all 120 in 12 months, I would probably plan to do maybe 5 in the first month and then 7 or 8 in the second month and then maybe 11 in month three. Then you go from there. So it allows you to work through that process, but I would set the goal. If the first month when we close we're going to do five, well, we better have contractors on site day one.

Like you said, the work, it really starts the day you close, but a lot of the effort can be put in during that due diligence phase. Not only are you trying to close the property, but you should also be preparing your asset management work stream prior to closing.

**[00:23:59] WS:** Great advice. Shifting gears a little bit, because we are about out of time, unfortunately. But tell me, how are you all preparing for this potential downturn that everybody is talking about?

**[00:24:09] DR:** Well, the way that we prepare is we are looking to purchase. We're still looking to acquire more properties, and what we look for our properties in the best part of our selected markets in the southeast US. The philosophy there is if you just take Raleigh, North Carolina, for example. If we're buying an asset in the best community in Raleigh where people today are still moving there and there's still job growth, over any sort of correction period, we will maintain occupancy, because it's a great area for people to live and they want to live there, and rents are affordable relative to their household income. Meaning if they're making 90 grand a year, they can afford to pay 1,300 bucks for the average two-bedroom apartment. If they had a change in job or they didn't get a year-end bonus, they're still going to make their 90 grand a year and they're still going to be able to afford that apartment.

The way that we protect the downside is by looking for assets in the best part of that city where people are going to want to live for a long time. The second component is buy properties that are very nice and good assets today, where they don't have major historical deficiencies and occupancy. The third component is if you're doing a value-add renovation, do your renovations. Be conservative in the rent premiums that you're projecting.

Again, maintaining occupancy is so important. If a downturn is to come or a little correction in the market, we want to be in the best assets or the best markets with really nice assets that people are going to want to continue to rent in, because we can cover our expenses, cover our debt service, and still return cash flow to investors through any sort of market, because we have, again, a great asset that people are going to pay for and we're going to maintain our occupancy at.

**[00:26:24] WS:** Nice. All right. Just a couple more questions very quickly. What's a way you've recently improved the business that we could apply to ours?

**[00:26:31] DR:** I would go to the Asana for asset management tracking and just property note documentation.

**[00:26:39] WS:** Number one thing that's contributed to your success.

**[00:26:43] DR:** Having a great team around you. Be supported by a team. Don't try to go at it alone.

**[00:26:49] WS:** How do you like to give back?

**[00:26:51] DR:** I like to give back through helping other people, either through my breakfast meeting and getting into the real estate investing game or taking theirs to the next level. Then, of course, helping kids develop confidence through The First Tee of Greater Charleston, or we get out on the golf course. We play some golf but we also talk about life lessons and how to be a good human.

**[00:27:14] WS:** You say your meetings were over breakfast.

**[00:27:16] DR:** We do breakfast meetings, yup. 7:30 AM.

**[00:27:19] WS:** That's awesome. A lot of good discussion over breakfast, right? Danny, always a pleasure to get to catch up with you and just seeing you all's growth at [passiveinvesting.com](https://passiveinvesting.com). You all are doing some amazing stuff. But tell the listeners how they can get in touch with you other than that URL.

**[00:27:35] DR:** Just go to [dannyrandazzo.com](https://dannyrandazzo.com), and you'll get everything you need to know about me right there.

**[00:27:39] WS:** Awesome.

**[00:27:41] DR:** Whitney, thank you so much for having me on.

[END OF INTERVIEW]

**[00:27:43] 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](https://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]

**[00:28:24] 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]