

EPISODE 484

[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 Kathrin Rein, thanks for being on the show Kathrin.

[0:00:33.2] KR: Thank you so much for having me.

[0:00:36.1] WS: Kathrin arrived in the US with only \$700 in her pocket and continues to stay driven by her desire to have a wonderful life with her family, to make a difference in the lives of her clients and give back to the community. She and her team currently serve numerous locations in Florida including Miami Beach and Fort Lauderdale.

She became the number one single agent in Florida in 2018 and 2019 with Keller Williams and has a very strong commercial and preconstruction sales background. Kathrin, thank you very much, I'm looking forward to this conversation and we're grateful for your time, give the listeners and myself a little more about who you are and your super power in this business?

[0:01:17.1] KR: Okay, well, I came to Miami about 10 years ago and I was an actress, I was a standup comedian and I kind of fell into this business b7y a friend who said to me, "Kathrin, you are so driven and you're good with numbers. I think you would be really good in real estate." And I just tried it and I loved it and I love numbers.

Numbers is really my big strength. I look at very complex deals and I can tell you basically right away if it's a deal or not. The people that work with me, they get very quickly, a good feel of my strength and they are sometimes impressed that I don't even need a calculator to calculate return rates and to see if a property makes sense.

Yeah, numbers is my great strength and my investors, very pleased with getting good returns and making money on the deals.

[0:02:07.7] WS: Being good numbers is a very good skill to have in the real estate business.

[0:02:13.2] KR: Yes.

[0:02:13.6] WS: That's good. You came as an actress, a comedian, so interesting but your friend seen the skill that you had and thought that, "You know what? This could be really useful in the real estate business." Tell me about that transition, you know, was that scary at all? I mean, to jump into that kind of business?

[0:02:30.0] KR: Yeah, in the beginning, it was very scary, I had a little baby, he was like a new born baby, almost like six months old and in the beginning. I was doing a part time, took sometimes a baby to showing. It was very stressful but then piece by piece, I really acquired really good clients that trusted me and like really felt that I cared, you know?

I always went for all of my clients, the extra mile and I'm still going the extra mile for all of my clients. There is this feeling when you work with someone that really cares and that you trust that you want to continue using their person. I'm that person for my clients and that really was my strength besides being good at numbers that I showed my clients that I really cared.

Once I did my very first deals, it just started coming in and I had a very natural source of leads. It was all referrals or repeat customers and it's been going ever since.

[0:03:28.4] WS: Tell me about your clients, you mentioned like different types of clients, I know briefly before the show, we had talked a little bit about some people maybe syndicators,

operators, you know, that are syndicating deals and some may not be but tell me the different types of clients and maybe then we'll talk about how they look at deals differently.

[0:03:46.2] KR: Okay, since we also do traditional residential real estate, we do have for some home buyers, people that resell their homes but there is always an opportunity with any client that we deal with that they also buy later on, an investment property. What we recently experienced a lot that we have now that we have a lot of luxury, residential listings, those people buy also investment properties for either their children as an investment and now with the tax laws right now, they can basically give their children while they're still alive, money without paying taxes on the gift, right?

We have a lot of those, those very educated, very sophisticated clients that know their stuff, their business people. They own big businesses so they know their numbers and they look at deals from a pure return perspective. You have to educate them a lot on the process on how the deal works. They get scared after inspections. Those are the people that have the money but they are not familiar with real estate as far as investment on a large scale, right? We have those.

Then we also have corporations that have invested in real estate in the past that are very real estate savvy. They want to get everything done right away and quick, we have those, they more look at real estate investment from as the part of, "Okay, what's the rental supplier, what's the cash on cash return or how much do I pay per door?" They will let you know very quickly. They sometimes don't even look at properties, they just want to have the numbers and then they decide whether they even look at the properties.

Versus the other ones that are affluent people that are looking to invest for their children, they look at properties and they still have emotions attached to the properties and it's two different investors.

And then we have you know, families that own one property that want to buy their very first investment property. Obviously, those are the most emotional ones and for those, you have to explain really in detail that they should not just look. Then you don't just judge it by the cover, right? It's not just the curb appeal, you also need to look okay, if this property sells for 500,000,

brings you \$3,000 income. This one sells for 550 but I bring to \$6,000 income. But it's ugly but who cares, right? Yeah, it's very fortunate to work with all of those people and it's each one has its challenges and its advantages and we just love to do that.

[0:06:22.5] WS: Nice, obviously, I'd like to focus a little on the commercial buyers or those corporations or companies or the people – you're talking about buy the luxury homes and they're also buying investment property. You know, as far as the operators that are listening, they want to work with somebody like yourself and like you mentioned, building that trust, right?

We build trust, I know we've had brokers that we've done different deals with and we want to sell the deal through them as well, you know? When it's that time and you know, we're working with them on to buy the next property as well. You know, it is such a relationship business but could you elaborate on it that relationship, how have people built their relationship with you and built that trust and so you all just have a long-term relationship and you both benefit?

[0:07:10.0] KR: Yes. So, it really depends if it's an investor that holds the property for a long time. Basically, when I meet someone for the first time, we first have to find out what is the goal. Do they want to flip the property? How long do they want to hold it? Because if they only want to hold it for three to five years, I will recommend them buying something different than if their goal is to hold it for 10 years, right?

We need to make sure that we have the same goals, I always find it very important to have this first consultation and to listen to their needs. That is step one. If you don't do that and you just you know, show them whatever, it's not going to be a good relationship because you're not going to deliver to the needs of the clients.

And then, I do have a lot of off market and pocket listing that I give to my investors first before they hit the market. Last year, I sold a lot of multi-family properties in Coral Gables. In the Coral Gables market is very hot like everything that hits the market moves very quickly. I got to meet this one gentleman, he had worked with many other realtors in the past and he was really thrilled to work with me because he felt that I was doing things a little bit different, right?

I was going out of my way not like the regular broker that doesn't work on weekends, I was meeting him weekends to sign paperwork, he's old school, he likes to sign everything in person, he has no dock board, no sign with him. He was impressed by how I did business old school and I feel like although I'm a younger generation, I still like to do things face to face. And I feel with a lot of my investors, that is a huge value that I add that I try to see them face to face and I try to meet with them at least four times a year.

May it be dinner, breakfast, lunch and with some of my investors, I also do, this is something really valuable that I do for my investors and I don't know if other realtors do that. I know I do it and I do it with pleasure, you do classes, landlord classes for our investors and a benefit of those landlord classes are I'm teaching them how to do the lease with the tenants, how to advertise their properties so that they don't have to hire real estate agents to pay a commission.

If they don't want to deal with it and they are not successful, I always let them know they can come to me and I can take care of it but I would really hate to charge them a commission. And at the same time, like rentals are a lot of work for me. I do them as a favor to the client but I would much more prefer for them to find their own tenants and not charge them a commission, right?

We add huge value to our investors that way and then we also teach them classes on how to calculate their return, how to manage their properties, that saves them a lot of money into managing the properties if they don't want to hire a property manager and we add value like that to our clients.

Then when we meet with them four times a year, we go over their whole portfolio and we determine which properties bring a good return and which properties I would recommend them trading in for something different and we do a 1031 exchange to find something that brings them a little bit of a higher return.

Especially if they have a lot of equity in one property and don't get a lot of return on it.

[0:10:27.5] WS: Landlord classes, that's a great value that you're providing no doubt about it. And I can see that building that trust and their relationship and you know, providing that and giving back that way that people –

[0:10:38.0] KR: Yeah, it goes both ways because I mean, it's a huge value for my clients and at the same time it takes the effort away from me taking care of the rentals because it is a lot of work. Yes, I get paid for it but the rentals, we do it as a favor for the clients. But I always let them know I'm there for them if – you know, I don't want them to go to another agent if they need help, I'm there for them and I'll take care of it but I'd rather have them save the money.

[0:11:05.1] WS: Sure, what's been some of the differences you've seen in those clients, maybe that's made some of the more successful than others?

[0:11:12.6] KR: There's a lot of clients that over-improve the properties and especially when you have working class neighborhoods, you cannot put a kitchen for \$20,000. Sometimes I have to step in – when they do the renovations, I offer to visit and I don't tell them, “Hey, I want to come to make sure you do everything right, right?”

Just offer to come by and check it out, how's the – I always check in, how's it going, how's the process, I always offer help, I offer my vendors, I always have a company for evictions, I have a company for inspections that I can recommend them a painter.

I want to be the resource of my buyers. I want to be the girl that they think of if they need something. I'm not bothered by it. I don't want to not talk to them anymore once the deal has closed. I want to be their resource, right? I laugh and they call me. When I go on the constructions zone and I see that they're just putting a little bit much. I mean, you can put in a working class neighborhoods that marble countertops.

You should go with the cheap quartz, right? A nice quartz but the one from China, not the one from Turkey. There's a huge price difference, the one cost 400 per slab, the other one is 900. You can save a lot of money and they are sometimes so proud of the work they do and I have to remind them in a nice way to not overdo it because it's not their house. It's an investment –

[0:12:47.5] WS: You have to keep the emotions out of it, right?

[0:12:48.9] KR: Yes.

[0:12:50.8] WS: Strictly about the numbers.

[0:12:52.0] KR: It's strictly about the numbers so the people that overspend, they are less successful and the people that stay within their budget, they are more successful. Basically, if they listened to my advice, they will be doing really well.

[0:13:05.2] WS: That's right. Well, I was going to say, they either have to know the market better so they know what the property can withstand, right? With the renovations and with the rent that they can push. You know, if they're not going to do that kind of research or part of that research to at least at minimum be asking you. You're the market expert.

[0:13:23.6] KR: Yes. I always love it when they call me after, they're like, "We're not done and then they call me in the end and they walk in the place looks like a palace." I'm just thinking, "Oh my god. I mean, it's totally over-improved but then it's too late." I don't want that to happen.

[0:13:39.2] WS: Right. You know, tell me about how – is there anything else that really causes a roadblock or to people. Because emotions are a big factor in buying real estate, right? Especially like that first time, somebody's buying their first investment property, especially, first home. But especially when we're talking about investment property, the first one, I mean, it's like this pretty duplex or this pretty fourplex, whatever it may be and it is hard to keep the emotions out of it, right?

[0:14:05.5] KR: Yes, it is. Towards the end of last year I had a fourplex in Coral Gables that I sold to a young gentleman. He was my age and his parents owned a large company and the parents are older. So, they wanted to pass some of their wealth onto their son because of their advantageous tax laws. So, they offered to buy him that fourplex. It was around \$800,000. It was his first purchase so he was extremely nervous.

So it was like phone calls, a lot of phone calls that I had with him to educate him on certain things and it came in very handy that I know a lot about construction. I am a girl who is not afraid to get her hands dirty. So I have been on many construction zones walking all over with hard hats. I know a lot about electrical systems, plumbing systems. I know how much things cost, right? I know how much windows costs, new plumbing, why you have a crawl space and why a crawl space is better sometimes than just a concrete slab.

And a lot of my investors appreciate that because I am not just someone that sells them something. I know a lot what is going on behind the walls let us put it like this. So, I was able to calm him down and set the right expectation. So the property was a little run down but that is why he got it for \$800,000 but it was worth 1.2 and it was a lot of calming down and before the inspection I had to set the right expectations that this report is probably going to show 100 to a \$150,000 in repairs which that happens but he was still nervous.

And you know that is how the process works with investors that have done this many times. It is a lot easier. You just tell them, "Look, I know the electric system needs to be replaced so that's going to be like in the inspection report it says 80,000 I know a guy who can do it for 40. I'll connect you with him." They're like, "Okay fine." Da-da-da. "How much are you asking after inspections? Well, the seller is already giving you a good price, maybe 10, 15,000?"

Okay, call the seller, 10 or 15,000, okay. Okay, let us sign the addendum, right? It is a lot easier. It is a lot easier with investors that have done this many times.

[0:16:11.1] WS: Help us to – you know for that listener who's like looking for that first investment property, help them to maybe speak the lingo a little better to maybe even come across as a little more experience but at least give them some things they need to know in having that first conversation with you, maybe after that first time they're together you have figured out their goals and their alignment but what are some other things they need to know going into buying this investment property?

[0:16:33.8] KR: So, when you look at an investment property, you need to make a decision first of all I think what's most important and I can tell you this, I own myself several investment properties. The criteria that I always go after and this investors they do it different obviously,

right? But if you are a first-time investor my strong suggestion is that you go for location because you can change a lot of things on a property.

You can change the kitchen. You can change the walls. You can just change the plumbing and the roof but you can never change the location. So I always invested in prime location, A-plus locations because those locations are recession proof – not recession proof but they got harder hit in recessions and are the first to recover and they hold their value and the rents and prime locations are pretty stable and you have a lower vacancy rate.

However, in prime location their return is much lower. And so, if you are looking for a very high return location might not be your best bet. I know people that don't mind to collect their rent with guns. I am not that kind of person. I mean everybody is different right? I like to have nice tenants that pay their rent on time and that are sophisticated. I rather collect a higher rent payment even though I don't have such a high return, does that make sense? So, my tenants that pay three to \$6,000 a month, they are less likely to default on rent payments than a venture that produces a thousand-dollar rental income a month.

The other thing that I look for is I like to have properties that are two bedrooms or larger because those are people that tend to stay longer than one bedroom or studio apartments and they are more stable tenants. Obviously, what comes with location is also school district. So if you have a good school district with a property, the property will always rent very well. There is a few other things I do, do you want me to go on?

[0:18:45.5] WS: Yeah, maybe just give us one or two other points about the location specifically how you determine, "Okay this is a prime location."

[0:18:52.2] KR: Okay, so the school district number one I look at what businesses actually is by.

[0:18:58.9] WS: Are there a couple specific businesses that come to mind or is it just the maybe specific ones that are local to your area?

[0:19:05.7] KR: I'll give you an example in Coconut Grove where I own the majority of my properties. We are close to the water yet most of the properties don't require flood insurance

because where we sit in one of the highest points in the whole Miami, which is very good and then you have a lot of businesses there. There is an outdoor mall that's being completely redone right now. So those values are going to go up and then there is an A-rated school district.

An A-rated elementary school, so if you invest in an area like that, you really can't go wrong. I have right now there are actually a five-plex listed that sits among like multi-million-dollar properties. It is one of the few multi-family properties in the area and it's a great property. So, with a property like that, you really can't go wrong.

[0:19:54.3] WS: So, Kathrin, what's been the hardest part for you through this real estate journey or investing journey?

[0:19:59.8] KR: For me investing or with my investors?

[0:20:02.9] WS: With your investors.

[0:20:04.8] KR: With my investors, it's the emotions. Well, I really feel sometimes people should have gone for other deals than would have given them better return and they went with option B and then later they come back to me and said, "Oh we should have gone with option A" and I'm like, "You know, I told you so but it's too late now." But then the second time around they listen to me better.

[0:20:29.7] WS: What about you? What about the hardest part for you?

[0:20:31.8] KR: The hardest part for me sometimes is to compete. For example, I own a commercial property here in Coconut Grove that was a good deal when it came on the market. I wanted to buy it and at that moment because I have a lot of things going on, at that time I didn't have all the cash liquid. I had it on another property and I wanted to buy the property but I pulled it off. I did a hard money loan and by the time I had liquidated the other property, I refinanced that property.

And four months later, they appraised for 50% more. So, it was good, I took a risk. It cost me \$25,000 in fees and in loan costs but I had a quarter million dollars in equity four months later. So, it is sometimes hard to pull it all together and to take a risk. You sometimes just got to hold your breath and hope for the best and take a risk. But no risk, no fun, right? And I definitely made the right decision and I competed against a lot of cash deals and I got it because I put it a cash offer.

It is sometimes hard to juggle things and I was not born wealthy. I worked for everything that I have hard myself, I don't have a trust fund. I don't have rich parents that is sometimes challenging to compete with those people. But I am building my own empire piece by piece and yeah.

[0:22:00.1] WS: I know you said no trust or you said no risk, no fun. Yeah and I would say no risk and almost no gain as well.

[0:22:08.7] KR: That is true. You are very right.

[0:22:10.7] WS: What's a way that you have recently improved your business that we could apply to ours?

[0:22:14.8] KR: I am extremely relationship-based and I even took it up another notch. So, I am very purposeful in who I meet and who I want to get together with. I have a little – I am very old school in that sense. I do love technology. But I believe technology is only adding to our relationships and not replacing it. So, I have a notebook and I put business cards of people that I meet. I glue it in and I write notes and I go through it every single day.

Who do I want to meet? How do I follow up with those people? And this could be people that are totally outside of my industry. I want to meet with doctors. They have a lot of extra income that they don't need that they want to invest. I want to meet with lawyers, the same, they all just have their money in stock market because they don't know how it works. They are scared of real estate.

So, my mission is to educate as many people as possible that are affluent that have extra income and I want to give them an opportunity to multiply their wealth because they are missing out so much, it drives me crazy. I have friends that have their money in the stock market and they don't even know how much more they could have if they just invested smart in real estate and it drives me crazy because I see so many good deals and I am working on educating people, bringing value to other people and meeting people face to face for coffee, lunch and dinner and that has really taken my business to a different level.

[0:23:41.0] WS: How are you finding those people or finding investors and those doctors and lawyers?

[0:23:45.4] KR: Talking to people. I find one doctor, I say, "Hey" and then I follow up with him a few months later. I'm like, "How do you like a tenant house going for you whenever you're ready to do the next deal? By the way, do you know anyone else that can benefit from my service?" I invite them to the landlord classes that we do a lot of client events. I meet a lot of people, I have open houses, believe it or not. A lot of people call on my listings obviously and I do meet a lot of people on LinkedIn as well.

[0:24:09.3] WS: Okay.

[0:24:09.9] KR: Just look outside of your industry that's a great value for me.

[0:24:13.6] WS: What's the number one thing that's contributed to your success?

[0:24:16.5] KR: I gave myself permission to shine. You know in life, when I started this journey and I became successful, there was a lot of people that could not handle my success. So, I had two choices. I could either stay where they are or shine brighter and I knew I would lose some of the people and some of those people stayed behind but some of them actually came with me and I realized on that journey that by allowing myself to shine and being amazing that I inspire so many other people.

And that has really been my little success secret and I have so many clients that are not in real estate that call me and that write me and that email me and they tell me how much I inspire them and that makes me really, really happy.

[0:25:08.1] WS: Nice. Tell us how you like to give back.

[0:25:10.8] KR: I love to give back to the community. So, I am very passionate about empowering kids and the youth. With my kids I do affirmations. There is one poem in specific it's called – I forgot what it's called but it's a poem by Mary Schmidt and it's about giving yourself permission to shine, right? And I read that with my kids and when I go to my son's school once a year, I go for career day I do something fun with the kids and I want them to know how much fun it is to invest in real estate and how much wealth this can bring them.

And I think if kids know that at a young age, they will plan their life completely different. I wish I had known all of those things when I was younger because my parents, they didn't own real estate. I mean we rented until I was done with high school. They owned back in the day but then they lost it when the recession hit in the 80s so they were scared of owning. And we moved out of our house and we had no equity because we had rented.

So, I just wish more kids would know about the value of owning real estate so that is one of the things I am giving back. And then I am teaching classes to teenagers and young adults and it is a very powerful class called Quantum Leap through KW and it teaches them techniques on how to set goals and how to achieve those goals. And that is an extremely powerful class that I teach and I mean we do many other things for charities. But those are the two things that I enjoy personally the most.

[0:26:47.7] WS: Nice. Well Kathrin, thank you very much for your time. Unfortunately, we're out of time today. But tell the listeners how they can get in touch with you and learn more about you.

[0:26:55.5] KR: Sure, I have a website. It's called beautifulmiami.com. You can find me on Instagram @beautifulmiamiteam, on Facebook Kathrin Rein. I am all over the place you can Google me there's videos for my TV show, YouTube channel subscribe and I look forward to hearing from all of you.

[0:27:13.4] WS: Awesome, Kathrin that's a wrap. Thank you very much.

[0:27:15.7] KR: Thank you.

[END OF INTERVIEW]

[0:27:17.0] 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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