

EPISODE 500

[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: Five hundred shows. So hard to believe. Five hundred interviews. I hope that we have provided a ton of value to you as our listener over the last year and a half. I want to thank you personally for listening to the show and being here every day or most days or what you can get in and listen to. I hope that your business has benefited and you personally have benefited from listening to this show.

I'm grateful for your time and attention and you know, I encourage you to reach out to us at info@lifebridgecapital.com. If you have suggestions on how we could improve the show, questions you would like time to ask or a guests that you would like me to have on the show. Please make an introduction to [info@lifebridgecapital](mailto:info@lifebridgecapital.com) and we'll try to get them on the show.

You can always reach out if you think we can help. But right now, I wanted to share with you something that's happened over the last week or so and kind of where we're at personally. In our business and last week, I had the honor of being the first speaker at Joe Fairless's Best Ever Real Estate Investing Conference. 6,800 people there. I was just honored to be able to speak and be the first speaker.

It was just a great experience, I've been doing a lot more speaking but that was, it was a real treat and so many amazing operators there, it's just a top notch event. I highly encourage you to check it out or make plans to be there. Usually in Denver, this year, it was in Keystone but which

is just a little drive from Denver but I would encourage you to put that on your calendar for next year or look up that conference. I think you can probably look it up.

beb2020.com or you know, obviously, next year it may be bec2021.com but look that conference up and put it on your calendar. I can't suggest it enough, just some amazing operators there and people. You know, over this last year and a half, personally, we've invested in 12 or maybe 1,400 units now. Lots of properties and personally we have about 450 units, especially as of this recording we will have closed on about 216 more but about 50 million dollars of real estate under management, 450 units, and just growing and in this episode, in just a few minutes, you'll get to hear me interview Joe Fairless at his conference.

And you know, this man has 900 million dollars of real estate under management. It's just been incredible to watch his growth and learn from him and scale the way he scaled and you know, he and I have become friends and just grateful for that partnership and just friendship but you're going to get to hear just what's up next for him. You know, after being almost to a billion dollars in real estate, you know, what's next?

He talks through that a little bit, you'll also get to hear my business partner Sam Rust, you know, as he cohosts the show, we were all at the conference together. Just a fun time, you'll get to hear his joke a little bit actually, said \$900,000 in real estate instead of 900 million. Quite a big difference there but just a good time. I encourage you again to look up that conference and I just want to say thank you again for listening to this show, I encourage you to reach out at info@lifebridgecapital.com if you have suggestions or questions you like me to ask or a specific people you'd like for me to have on the show.

I would love to know those things and I just encourage you to reach out in the group as well, the real estate syndication show on Facebook and get involved. You know, mostly guests are also in that group and so you can reach out to them, you know, directly, tag them or reach out and ask questions to them as well and just look forwards to seeing your success.

I hope this podcast has helped you personally and in your business and I look forward to hearing from you. Enjoy the rest of the show in our interview with Joe Fairless at the Best Ever Conference.

[INTERVIEW]

[0:04:31.4] WS: This is your daily real estate syndication show. I'm your host Whitney Sewel. Today, I have the pleasure of being live at the Best Ever Conference 2020. I have my co-host and business partner Sam Rust. Hello Sam.

[0:04:46.6] SR: Hey Whitney, happy to be here.

[0:04:48.5] WS: Honored for you to be here as well, Sam, and I have the pleasure of interviewing Joe Fairless, the man himself on the show today. Hey Joe.

[0:04:57.1] JF: I'm looking forward to it, Whitney.

[0:04:58.2] WS: Yeah, honored to get to know you better Joe over the last couple of years and just through your accomplishments Joe, a little about Joe, I'm sure whoever is listening to this has heard of Joe. I hope that we're at the Best Ever Conference at his event, he's recorded over 2,000 interviews on his Best Ever Real Estate Investing Advise Ever show which I highly encourage you to listen to and you know, he has over 900,000 real estate under management right now.

Just an extreme success case Joe. I'm just honored to know you but you know, Sam and I were talking and we would like to kind of dive in to what's next for you, Joe? What's the on the road for you, and for Ashcroft?

[0:05:34.5] JF: Well, just point of clarification. You said 900,000 900,000,000.

[0:05:39.8] WS: Wow, 900,000,000 big difference. I apologize.

[0:05:41.9] JF: Three extra zeroes. Just one zero. Zeroes are zeroes so it shouldn't mean much but what's next for me? I mean, I actually got that question earlier from someone and we're just going to keep focus on executing the business plan of our current properties and identify new

opportunities when it makes sense and buy them. I mean, I think as entrepreneurs. I'm the cofounder of Ashcroft Capital and Frank, my business partner and I founded the company.

I think – we are clearly entrepreneurs and I think as entrepreneurs, there tends to be an entrepreneurial tendency to want to go to do something concrete and move on to the next thing. We don't have that mindset. We have the mindset of we've built something and it works and we've got a track record and we're going to just keep doing that, we'll just do it over and over again because you know, why recreate something or why go into other areas.

For example, I would never do ground up development. Never want to touch ground up development. I am so grateful for ground up developers, we wouldn't be in this beautiful facility that we're in right now if there weren't people who put their money online for ground up development but I don't want any part of that.

I passively invest in deals and I won't passively invest in a ground up development either because I just don't think the risk and returns are adequate for me. What's next is kind of boring. I know, but we're just going to keep buying apartment communities and looking to grow organically through our current investors and also any new investors that come our way.

[0:07:25.3] WS: Wow, yeah, 900 million, apologize on the details. One zero. Sam, you have anything you want to add?

[0:07:33.8] SR: I'm just curious Joe, that's a deliberate choice that you and Frank are making to stay in your lane and shiny object-itis, it's all around us, right? Even here at the conference, there is just a panel discussion on alternative asset classes, you spoke a little bit as to why. Is that easy for you to make that decision and stay in your lane, are you tempted at all to dabble and maybe get into other asset classes entirely or are you so one track focused and you can keep your mindset that way?

[0:08:00.8] JF: As human beings, we have to evolve, we have to feel like that we're mentally challenged and if I were not mentally challenged in doing what I'm doing and I didn't feel like I was growing, then I would be tempted to go do some other stuff. But the reality is that we have

900 million plus worth of apartment communities, we have over 2,000 accredited investors that invest with us.

There's challenges that come with that. There's a lot of challenges. You know, like three or four months ago, we discovered that a property management person that we had hired was artificially inflating the rent roll in order to achieve her bonus. We discovered it a month after it happened and obviously fired her and resolved it so that we're mitigating the risk of it happening again but stuff like that comes up all the time.

You know, we buy apartment communities and we have a little over 7,000 units. Well, with those 7,000 units, there's 7,000 families. You could have one person living there and multiple people living there. There's always going to be stuff that comes up. Now, we're not in the weeds as much or on the ground as much because we can't be. There's no we'd be able to from on the ground standpoint but we have team members and we're scaling the business.

That's what's really interesting about keeping sharp end, having a business that does mentally challenge you because it goes from – are we going to make money at this, are we going to be good at it to how do we scale this to try to get on really talented team members who can teach us stuff about the business and again, an example of that is we recently hired a director of construction management and he is based in Dallas, has 25 years' experience doing construction management and he is negotiating contracts with vendors, recently he negotiated a stainless steel package for all of our properties moving forward whereas 1,600 for the stainless steel appliances.

Whereas before it was \$1,800. \$200 difference, may or may not seem significant but holy cow, you have 200 times 7,000, that's significant and the challenge is finding the right people to help us continue to perform but even perform better and then also continue to scale as we grow. That's what's really exciting.

It is a lot of fun and you know, we're always going to have challenges in different stages of our business but the higher quality challenges as you grow are even more fun and quite frankly less stressful than in the earlier days.

[0:10:50.3] SR: Yeah, that makes a lot of sense. Small business – business in general is about solving problems in the marketplace. Bringing inefficiencies down. What is a specific problem that you're looking forward to tackling and solving in 2020?

[0:11:02.8] JF: Well, you know, one thing is – and this was not an issue previous years but it is a challenge now is the amount of new investor leads that we're getting and being able to work with those new investors so that they're getting an incredibly personalized experience because we only partner with accredited investors.

I've started to implement two solutions for that because last month, we're speaking February last month was January – last month, we received 8.19 new accredited investor leads per day. I think it's around 240 in total for the month and these are leads of accredited investors who say they're wanting to invest with us. Before, I was the one talking to them but it's just not scalable, I can't do that.

[0:11:53.6] WS: That's a full time job by itself.

[0:11:56.5] SR: We hired a full time person for that. That's one solution that we put into place. Hired an investor relations consultant, his name's Evan and just incredible person and super smart and smarter than me on certain aspects of the business because he has more traditional institutional background and I do not. That's one.

Two is, we have hired a data scientist to help make sense of our database and investors that we have in database so that we really get to know them more so than if I had a database of say, a hundred investors. I know my database of 2,000 plus who have invested with us, better now with the data scientist helping to make sense of everything than if I only had a hundred.

That allows us to scale because now we know, okay, do investors have a preference towards Florida or Texas because we have deals in both of the cities, do investors like bridge loans with higher projected returns or agency loans with lower projected returns but there's different risk adjustment there, where do they live? And then take that all that information and then make an action plan where we have a loyalty program that we are building out and I don't necessarily know if it is going to be investor facing like, "Hey, you invest in 10 deals, you get a shiny object" I

don't think it is going to be that. It is going to be more behind the scenes where we are making sure that we are tracking who's investing in the deals.

Who is investing certain amounts, where do they live and then we are going to strategically make sure that we're continuing to build those relationships and as we grow as a company, you know we don't necessarily need to bring in more investors who have invested with us. We really just need to make sure we are taking care of the ones who have invested with us because we have hit that scale point where as long as we grow organically and take care of those investors then we're going to be in a good spot.

[0:13:52.4] WS: How is most of that data collected? You know you talked about like their preferences and things or is that just by asking them or how are you collecting that?

[0:13:59.8] JF: So there is a spreadsheet and in the spreadsheet there is investors first name, last name, mailing address, deals that they have invested in, how much they have invested in total and how much according to them when they first signed up they have potential to invest and that last part is sometimes a little wonky because you know we will get someone who says, "Yeah" and it is just a drop down menu. So it might say, ready in five million to 20 million and not so much.

But for the most part it is fairly accurate and so we have a spreadsheet and then data scientists has access to the spreadsheet and then he creates a 26 page PDF report with these beautiful charts and graphs and it shows very succinctly which investors have invested in the most deals, which ones invest the most per deal and as long as we have information about each of the deals like for example the deal we are closing on now has a private loan or a bridge loan.

Well, we know all investors who invested in that and now the data scientist on the back end starts aggregating. Okay, so all of these investors they are investing in bridge loans, all of these are investing in agents loans and these investors they don't really care that's not a determining factor but interesting that group of investors some of them don't invest in Florida or they don't invest in Texas. So we have a better sense of what type of deals we should be offering to our investors.

And also have a better sense of which investors have invested the most, where they live and what is interesting one component of it is and I didn't ask the data scientist to do this and I chuckled when I saw it, he has a page in the 26 page PDF that says investor dinosaurs and he has a fossilization score and those individuals are people who invest with us but have not invested with us for a certain period of time and then it also looks at how much potential they have to invest with us.

So that gives us the idea, okay that person invested let's say a million with us. Are they waiting for a new deal or a deal that we haven't quite hit what those previous deals that they invested in are so maybe they're looking for a deal in Dallas that's an agency loan and we haven't quite had that. Well then we can go back to them and talk to them about them and perhaps bring them back into the mix.

[0:16:22.0] WS: So, going back to what you said a minute ago I think it is so impressive that you are at 8.1 leads per day and I don't think there is many that can say that. What would be the – I mean obviously the key to getting to 8.1 leads per day and maybe we don't have time to go into all of it but maybe just give us a couple of things. It's like I know there is somebody listening that are just dreaming of having two leads a week, you know?

[0:16:41.2] JF: Well it doesn't happen overnight and it is doing what you're doing, daily podcast. I mean I do a daily podcast. Has been the longest running daily real estate investing podcast over 2,000 days in a row now. So it is putting in the work and so one is and for anyone who's heard me talk it is not going to be groundbreaking, the thought leadership platform must have it that is number one. Two is word of mouth referrals is the number one influencer of purchase intent.

So, when you are generating word of mouth referrals then those leads are likely going to convert at a higher degree than other leads that come in. So, really looking in house and even if you have done one or two deals, focusing on those investors who you have done one or two deals with and they'll be your best ambassadors. You know we have one investor invest in 20 deals with us, 20. Another investor second place in that category is investors invest in 15 deals with us.

And I wouldn't have been able to say those numbers if I didn't have this data scientist in this report and what we do with that information is now we pay more attention to those people. So pay attention to your database and the beautiful thing is if you are starting out, if you have one or two deals on your belt. The beautiful thing is that well, the number one challenge we have with this project is getting the data because I just had this idea about three, four months ago.

And so we have a bunch of potential investors who we did not capture their mailing address. So we did not have a lot of the core information that we need. Well if you have a deal or two and you are starting to build your system now make sure that you are capturing the mailing address during that initial process. So that then you can build your database the right way. So it is actually a benefit if you don't have a large one yet because now you can build it the right way.

Because right now we are having to retroactively go back and you know it's I'm not doing it but the team is and it is cumbersome and burdensome process.

[0:18:51.9] SR: Yeah that makes a ton of sense. Shifting gears a little bit on you Joe, rumor has it that you really picked up chess recently so.

[0:18:58.9] JF: Over the last year. Shout out to friends, my goal is to have a 1,400 rating on chess with friends and I hit that point about three weeks ago. I am not there right now. I am 13-60 something and I hired a chess master or a chess instructor. I call him Master Vincent, he might not like that term because he is very humble but he is a stud at chess if that is not an oxymoron and he's got over 2,000 rating with chess so yeah.

[0:19:28.1] SR: And what do you find fascinating about that and how do you find that helping you in other areas of life?

[0:19:32.6] JF: Well I mean if you don't pay attention to the consequence of the move you're about to make and don't look at all the different scenarios then you are going to lose, number one. Number two is there is openings that are tried and true and there is some form of memorization on the openings. So you got to know the foundation of how to approach a situation. You got to have the fundamentals but then once you have the fundamentals then you just got to know certain tactics that you could employ but might not work in every scenario.

And it is just like real estate investing, right? We got to know the fundamentals. If we don't know the terminology, if we don't know how to underwrite it, if we don't know how to bring in investors, if we don't know how to look at markets, you're in trouble but that's a relatively low barrier to entry that the next one is and where you really good at chess is okay, now that you know the fundamentals you don't even have to memorize that.

How do you apply those in situations that you have never come across before and that is real estate, right? You know 7,000 people living in our apartment communities, you know we had a property manager stealing something I'd even come across that before. So it parallels really well with real estate investing and it's just a lot of fun too similar to real estate.

[0:20:48.9] SR: That's awesome. I also enjoy chess and I had fun teaching my five and six year old here recently. So we are starting to grasp those concepts but it really is a mirror of life in many ways.

[0:20:58.1] JF: It is, agreed.

[0:20:59.5] WS: You know Joe through this process at just scaling like you have and then I want to go back to our investor talk just a little bit because I wanted to ask you because I ask almost every guest now if they're an operator, how you stand out with your investors? Amongst all of the operators, what is different about you?

[0:21:16.8] JF: Well I think one area that we excel is we have better projected returns and we have exceeded projections on our deals and what that ties back to is our reputation with brokers and owners because we are getting the deals even if we are not paying the highest price and if we get the deals even if we are not paying the highest price those savings get passed along to our investors. I will give you a specific example, about a year ago we bought a property for \$48.6 million.

The highest offer was 49 million, we got awarded even though we were 400,000 under the highest offer and at a price for 49.1 million. So \$500,000 less than what we paid for it and we got awarded it because we had a relationship with the brokers and the owners and they knew

our reputation. So other groups at our size will have a similar competitive advantage as that but we got it in Dallas, Fort Worth and we are working on drawing it in Tampa, Jacksonville and Orlando.

[0:22:19.7] WS: Nice. I know we are running a little low on time but I wanted to ask you what's the best ever book you've read?

[0:22:25.7] JF: Well I think I always think about like recent books because they are most top of mind because I know that is a question on my podcast what I am about to say is it's impossible to answer that question, maybe I shouldn't ask it but I think a recent book that has positively influenced me is *48 Laws of Power* and anything Robert Greene writes is phenomenal. So 48 Laws of Power, he writes about how people over the history of time goes back many, many years.

Have acquired power, lost power, what to do, what not to do and the way that Robert Greene writes is just in your face and it's pretty powerful.

[0:23:09.7] SR: Yeah, I have read several of Robert Greene's books and really enjoy that. I have to pick that one up and finally, we have enjoyed seeing your family here but I understand that you guys are in Cincinnati. I am curious how do you make that work living in Cincinnati, investing in other markets? You know there is a little bit of a spread there, how does that play out? Do you enjoy being a little bit more removed? Is that a benefit for you?

[0:23:31.9] JF: It works because we have the right team. So I think about it as and first, most of the team is based in New York City. My wife is from Cincinnati. So we live there but it works because I think of it as a writ where the writ is based in New York City but they invest all over and how do they do that, how are they able to perform, well they have the right team members in place. So I am from Fort Worth and we have a – the majority of our portfolio in Dallas, Fort Worth.

So that certainly helps but it is just a coincidence that I am from there and we have a portfolio there. It is really the market that drives it and you know he asked if I like it or not, you know pros

and cons. So I would enjoyed living in Dallas, Fort Worth and there would be benefits there but I also enjoy living where I live and benefits doing that too.

[0:24:20.6] WS: Joe it's been amazing to get to meet you a few years ago and get to know you better and just an honor to work with you and now get to speak at your conference. I am honored and I am very grateful just to get to know you and that opportunity you gave me today.

[0:24:35.4] JF: Well you earned it and long term relationships and you know I thoroughly enjoyed getting to know you and now relatively new being introduced to Sam but I am grateful for this.

[0:24:47.5] WS: Well, thank you so much Joe and do you want to tell people just in case how to get in touch with you.

[0:24:52.8] JF: Well, if you want to attend the conference next year, you go to bec2021.com and you know if you're looking to passively invest in deals or learn more about what we do, you can go to investwithashcroft.com.

[0:25:08.2] SR: Awesome, well thanks so much Joe. It's a pleasure to get to know you more today.

[0:25:11.6] JF: I enjoyed it.

[END OF INTERVIEW]

[0:25:13.0] 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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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]

[0:25:53.0] 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 for free material and videos to further your success.

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