

EPISODE 560

[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 Ben Kogut. Thanks for being on the show, Ben.

[0:00:34.0] BK: Whitney, it's my pleasure. Thanks so much for having me.

[0:00:35.7] WS: Yeah, I've enjoyed just our conversation before we started recording as well. Just getting to know you a little bit. Sounds like your all's team is doing some amazing things. I'm looking forward to learning how you all are doing to these things. Because it sounds very impressive.

A little about Ben in case you haven't heard of him, he's a partner at HJH Investments, he specializes in raising capital and investor relations. They have over 225 million dollars' worth of assets under management diversified between industrial, office and retail properties. Is also an Austin, Texas based, commercial real estate broker with more than 15 years of experience.

Ben, thank you very much for you time being on the show, give the listeners just a couple of minutes about who you are, why you're in the syndication business and then let's dive into some of these things that you all are just doing.

[0:01:23.5] BK: Thank you. Yeah, it's been quite the journey being in commercial real estate for the past 15 years. Obtained my CCIM designation, was the youngest person to ever get it in Austin. I'm not sure about where else. Later on, went and obtained my MBA from a really unique school called the Acton MBA. And then started a brokerage company, development firm and started investing in my own and became an investor with HJH Investments a few years ago.

Built a relationship with the CEO named Cory Harkleroad road. And then after getting to know him after a couple of years, he basically made me an offer I couldn't refuse, to come on board, become a partner in the company, to help him with raising capital and investor relations. Because it's just such a time-consuming relationship-driven part of the business that he really wanted to be able to scale up and wanted to bring on someone like myself of a wide and deep variety of experiences and it's really just been the best thing that I've ever done.

[0:02:21.8] WS: Nice, how long have you been a part of that team?

[0:02:23.7] BK: I have been with HJH Investments for just a little over a year. For me, the decision was to take off my real estate brokerage, put that aside and just focus really on building relationships, helping with the raising capital and going to the property myself personally, going to a lot of conferences, raising capital, just building relationships.

[0:02:44.1] WS: I love it when a company can have somebody that's just focused on that. I think it really helps you to stand out because then, you're not pulled in so many directions, you can really focus on that relationship. It's so important, right? Those investors are so crucial to our business. I love hearing that.

But let's jump in a little bit to maybe how you all are unique and how you all syndicate deals. Maybe you'll have a different method opposed to some other organizations or companies and would love to dive into that a little bit, how you all are unique.

[0:03:09.2] BK: Sure, we're a boutique syndication company. We specialize in buying retail, office and industrial. Our acquisitions department team is looking at between 800 and 1,500 deals every week.

[0:03:22.3] WS: Every week? 800 to 1,500?

[0:03:24.9] BK: Correct. But it's really looking for something that fits in our box. Our box is an asset that has these 30% of the tenancy, is triple B credit or higher with more than five years of lease-term remaining. With high credit tenants, with long-term leases, at least 30%. Often times they'll be some mom and pop and regional credit mixed in especially if it's a multi-tenant deal as well.

Out of that 800 to 1,500 deals that they're looking at, we're on average, making about 16 offers a week on different assets.

[0:04:00.2] WS: How many people are on that team?

[0:04:02.4] BK: Well, it's headed by John Post in my office and then he's also backed up by another gentleman in our office.

[0:04:07.5] WS: Wow, you all are reviewing 800 to 1,500 deals per week. That's a lot of deal flow as well.

[0:04:13.6] BK: It's a massive deal funnel. But remember, a lot of that is not even anywhere close to fitting in our box so it just doesn't fit. Then on those deals, we'll make 16 offers and maybe one out of 16 will put under contract.

[0:04:28.1] WS: Okay, you'll make offers on the 16 and potentially get one under contract? Okay, awesome. Anything else about the way you all syndicate that may be unique?

[0:04:37.2] BK: We typically structure our deals when we pay an eight percent annual return, we pay it monthly, starting on month one. And then we split revenues 50/50 after that. And that payment is a bonus payment that comes on a quarterly basis. That's it. That's the whole waterfall, if you want to call it that. There's no asset management fees baked in. Really, it's just investors are treated preferentially and then we all win together after that.

[0:05:05.8] WS: Okay, there's 8%. Is it a preferred return?

[0:05:08.6] BK: Correct.

[0:05:09.3] WS: Okay 8% preferred return and everything after that, it's interesting. I don't hear many people splitting up the payments like that. You do a monthly payment for the preferred return and then everything above that split 50/50 and then that's a quarterly payment.

[0:05:21.2] BK: Correct. Portfolio wide, we've been averaging about 10 and a half percent cash on cash returns to our investors. We're very much driven by again, high credit tenants on launch on releases. We know, consistently getting that income, if we receive the income on the first, we turn around and we pay out those distributions on the 15th of every single month like clockwork.

[0:05:42.6] WS: How many investors and I'm sure you've heard this. how many investors do you get calling you that say, "Well, Ben, you know, I've got this other operator over here, he's doing 70/30 split," after they present. How does that conversation work?

[0:05:54.5] BK: if they want to get into it, then we'll sit down and we'll say, "Okay, fine, is this apples to apples? Is that 70/30 split going to have asset management fees built in on top of that? At what stage of the waterfall are they collecting those? Are they taking them right off the top?" And really, that's okay, that's the direction they want to go, that's totally fine.

You know, for us, it's about building relationships, it's about aligning our interests together and the consistency of what we've been able to achieve, have attracted a lot of people to us. You know, just different, it's not better or worse, it's just different.

[0:06:28.1] WS: Great answer. I hope they're investing in more than just a projected return, right? They're obviously investing with you all as an amazing team and just your track records. You and I were talking about this and I thought it was impressive, you know? You all closed on 11 deals in 2019. And just like we talked about, we can talk about the deal flow as well but maybe we dive in there a little bit, spend a little more time there as far as how you're get that much deal flow for one. And then, how you're finding that many deals?

[0:06:52.3] BK: Building on what we were talking about earlier about all the offers that we make. I'll share a few different ideas on techniques that we have utilized that help us win deals. Number one, when we make an offer, we don't send letters of intent. We'll actually send a signed purchase contract initiating that we're ready to move forward. That's number one.

Number two, we'll preemptively share with either the broker or the seller or whoever it is a long list of references. This seller, this broker, this investor. Basically, encouraging them to call them and verify that, "Hey, we at HJH investments, we do what we say we're going to do always, that's non-negotiable."

And then number three, we promise the seller that we're going to be physically on property within two weeks of being in contact. I'm in Austin, Texas. The rest of my team is based actually in Kansas and most of the assets that were far are throughout the Midwest. Right now, given the current crisis, that promise may be a little bit more difficult to make.

But previously, that is exactly what we do, we show up on site and it's part of our process and I think a lot of sellers appreciate that that we're not just here to type your property and try to flip it or anything like that, that is not our business model at all. We are serious and we are moving forward with a lot of momentum.

[0:08:09.8] WS: Any hesitations with brokers about your contract as supposed to the LOI first?

[0:08:14.4] BK: No, because there's always going to be a back and forth throughout the process. If something come on the market, we're the first offer, we'll get an offering within 24 hours of the deal hitting the market. We're usually the first offer and that helps us determine if we have motivated seller because they'll want to engage with us right away. And if they're not motivated, they'll probably sit back and wait for other offers to roll in and you don't win a lot of those deals and that's okay.

[0:08:37.8] WS: Nice. You mentioned a long list of references and you said, other sellers maybe investors. Could you elaborate on who that list is, who are those references. Not exactly, I just mean like, are there other people that you're dealing with?

Is it other sellers that you all purchased from and how do you pick that investor that you're putting on that list and what other types of people are you putting on there as references?

[0:08:58.8] BK: You know, luckily, we have a lot of people that are friends and fans and investors and so, it's not that difficult for us to be able to point to investors or other sellers that we've done business with and other brokers in particular. That's super easy because the brokers are always happy to get in the middle and make those recommendation.

It's always just helpful to let other brokers or sellers who aren't familiar with this be educated about who we are and the values that we share.

[0:09:25.6] WS: Cool. I think it's a great idea. I just think it's neat to bolster your all's professionalism as much as you can. They don't have to call them but you're saying, "Here," you can, you're putting it out there. What about earnest money? How do you all handle that? I know you all are striving to be the first offer and you're looking at all these deals and it's impressive within 24 hours, you're getting on contract. What about earnest money?

[0:09:44.0] BK: Earnest money is just typical standard earnest money, depends on the size of the deal. I personally don't put a lot of emphasis on that. I think it's kind of BS that people care about earnest money. I mean, most of the time, it's totally refundable anyway so just a symbolic gesture. I don't think people really even care that much about it, at least in the deals that we're working on.

[0:10:01.5] WS: Okay, some groups, I know, before all this happened with the coronavirus, you know, a lot of guys, they would go hard from day one.

[0:10:08.4] BK: We won't go hard on that money. In fact, we're going to often search our deals depending on how complex it is probably 60 days of deal view and 30 day to close. Yeah, just kind of depends.

[0:10:18.9] WS: Yeah, that's interesting. I want to get into how you all are finding investors, how your high net-worth individuals, you all are partnering with some of that. Just some of that we've

talked about a little bit, just how you all are – seeing so many deals and place in contracts after everything that’s happened right now, how has that changed?

[0:10:34.5] BK: We are still moving forward with two deals, just to raised a few million dollars for actually a shopping center that we are in the pursuit of right now. It’s been a little bit choppy because of course, certain tenants have asked for rent concessions. And so, we’re dealing with that on a case by case basis on the deals that we are pursuing.

I can talk a little bit more about what we’ve been doing with the retail tenants and our existing portfolio?

[0:10:59.9] WS: Please.

[0:11:00.7] BK: Around March 15th, we were pretty early in the process. We notified 120 of our tenants, offering them an opportunity preemptively to not have to pay April and May rent for now. We’ve had about 12 to 15% of the tenants in the portfolio take that deal.

In exchange, we are negotiating or we have negotiated on a case by case basis to either extend our lease terms or a couple of instances to wipe out exclusivity language, that’s pretty much the two main pieces. And so, since then, we have waived about \$150,000 worth of potential revenue and in exchange, we have obtained over a hundred years worthy of additional lease obligations throughout the portfolio.

[0:11:50.3] WS: You know, you and I were talking about that before recording a little bit. I just thought that it’s very interesting. Especially saying it like that. But it’s just amazing that you all are proactive too and I like that. You’re finding a way to help the tenants as well and really to better everyone.

[0:12:02.1] BK: It is for everybody. It is a human issue. These are real Americans or people let’s just say who are working hard and taking care of their families. and we’ve had several of our tenants call ur property management who is sort of the front line handling this negotiation process, crying, thanking him for the opportunity to not have to worry about this piece of their puzzle, you know?

Part of our company culture is absolutely, to help people and this is just one way we've been working to do that.

[0:12:32.4] WS: No, that's awesome. I appreciate you sharing that. I hope that motivates some of the listeners as well who are operators to think like that and thinking more long-term and carrying for these people who are providing so much housing.

[0:12:42.3] BK: We're not in the multifamily business at all. And I was just saying one other thing. We're not angels or anything. We're trying to help people. But on the other hand, if you think about it, all that extra lease obligation will help us in the future, when the time is right, potentially if we'd like to refinance, we'll have a better case to go to the bank and have more obligations there which makes it easier for us to refi it if that's what we decide to do.

[0:13:06.6] WS: Nice, what about bringing in high net worth individuals, how are you finding investors right now and let's get into that.

[0:13:11.9] BK: Yeah. Again, it's about relationships. Just being in touch with people, communicating, "Hey, this is where our strategy is." Being a lot of these zoom calls and phone calls and really just trying to figure out how to help people because there's just so much nervousness in the market and especially with all the recent volatility. And so, just being that source of, "Hey, we're in the market, this is what we're seeing, this is what we're doing," and being transparent about the process as we're moving forward.

Really, one of my passions is helping people. I recently started a mastermind group just through people that I've connected with on LinkedIn and where to be resource for other people as they go through these different struggles as well.

[0:13:52.0] WS: Nice, what's been your key method to finding high net worth individuals. I mean, just even begin the conversation or relationship?

[0:13:59.6] BK: Several things, number one, just having built up relationships over the years. Number two, we've had a lot of success being involved in certain organizations, one of which

that I love the most, is probably The Society of Exchange Counselors and it's a group that meets about six times a year. It's an invite only type of group and there has just been so much wisdom and so many amazing contacts through that organization. And we raised a lot of capital through those people.

Another group is called the National Council of Exchangors. They meet in Vegas four times a year. Another group is a group called The Family Office Club, which is an international group that is with a lot of family offices who are working for investment deals.

And then just putting myself out there, you know? Being active in the community, I mean, it's just something that I've naturally wanted to do pretty much my whole life, build relationships. I have friends that have invested in me that I grew up with in elementary school, college, those college, just different groups I'm involved in. You know, now, they're starting to tell their friends.

And so, actually, that's where I'm spending a lot of my time now, we're in a little bit of a pause, we're not necessarily raising capital right this moment so I'm spending a lot of time just talking to people finding out what they're doing, telling them what we were up to, getting on podcasts. I started my own podcast called the Real Estate [inaudible 0:15:17] just to kind of put it out there, help people get more exposure to their businesses.

And it's part of this world that we're in now is to be involved and market ourselves with podcasts and YouTube and LinkedIn and really, that's what's been working for me.

[0:15:33.3] WS: Nice, I get questions every week about, "How do I get started raising capital, how do I start a podcast," all those things, right? Especially raising capital, "How do I find investors, meet investors?" And try to just change that mentality a little bit and say, you're raising capital all the time. You're always talking to people and you just never know who you're talking to. You just never know.

But then it sounds like that's kind of the way you look at it. All these avenues that you're a part of or in. You're just really being yourself and creating relationships.

[0:15:57.9] BK: Yeah, the other thing I'll answer to that is that I never really feel like I'm raising capital, selling something. I have opportunities that have been thoroughly vetted with a team of an incredible track record. "Hey, is this an opportunity that you're interested in?"

"Let's talk about – let's talk through it, let's talk about the pros and the cons, let's put it all out there and see if this is a fit for whatever it is that your goals are." It's important for me to ask these types of questions to learn what their goals are because I don't want to just bring this and that to everybody. The more that I can learn about what their goals are, I think the better.

[0:16:31.6] WS: Nice, all right, Ben, just a few final questions before we run out of time. What's been the hardest part of this syndication journey or process for you?

[0:16:39.9] BK: The hardest part. It's a lot of travel, although I do enjoy the travel. Keeping it all organized, the volume of people who have entered my world, our world now has really massively increased and I've done a really good job having those relationships in my brain but now like the numbers have really increased. They're trying to figure out a more efficient way to scale this. I think that's been a challenge.

[0:17:04.1] WS: Any tips to how you've overcome that or been successful in that?

[0:17:07.2] BK: It's a struggle, I'm not going to lie. I first started with Excel spreadsheets and then morphed into using different CRM platforms. And I've been using them for months now and frankly, not super happy with it. Have been using this time to try to figure out what is the right CRM for what we're trying to do.

[0:17:25.1] WS: Maybe that relates to this next question. What's a way you all have recently improved your business that we could apply to ours?

[0:17:31.1] BK: Well, before the crisis, you know, we host little events with the other investors and the other investors and potential new investors. I think we've done a really good job of communicating on a one on one basis with everybody.

Traveling to different conferences and just putting ourselves out there and just upgraded our websites. We've upgraded our entire marketing platform, you know, everything's really beautiful. We have implemented ways that our investors can go online through a portal to see what kind of returns they've had at any given moment, little things like that.

[0:18:03.4] WS: What's the number one thing that's contributed to your success?

[0:18:07.4] BK: Good question. Hopefully, being authentically me and just trying to help people and care about people and educate people. Honestly, that was actually something that I didn't know about myself before getting involved in syndication is how much I enjoy teaching. And so, right before the crisis, I actually just created a whole new course and started teaching it.

I'm looking forward to when things open back up that I have an opportunity to teach this some more marines.

[0:18:32.9] WS: Nice, that segues right into our last question is how you like to give back.

[0:18:37.6] BK: Love it. There's a lot of different ways. I mean, I do volunteering, I'm involved with this national young leadership cabinet which is part of the Jewish community. And I do a lot of mentoring. I used to be the chair of a nonprofit. A lot of those are the ways that personal thoughts a lot of benefit getting back.

[0:18:54.5] WS: Well, Ben, unfortunately, we're out of time. But I am grateful to have met you and your time insuring with the listeners and myself and how your team has been successful and you personally as well. Grateful for that.

But tell them how they can get in touch with you and learn more about you?

[0:19:07.2] BK: Yeah, for sure. Thanks again Whitney. hjinvestments.com, that's our website. Find me on LinkedIn which has been Ben Kogut. Or on Instagram, LinkedIn, all those types of good things. And then soon you'll be able to hear me on the Real Estate Niche Show which is my new podcast coming soon.

[END OF INTERVIEW]

[0:19:28.4] 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 and sign up for the newsletter. If you are 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]

[0:28:29.4] 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.

[END]