

**EPISODE 598**

[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 Eric Kogan. Thanks for being on the show, Eric. Eric's an integral part of RGI, owns 30,000 apartment units across the US along with a large portfolio of direct growth equity investments into industry-agnostic companies, involved in nine figures worth of real estate and investment transactions over the last 12 months.

Currently building an energy brokerage platform to help property owners save money on their utility spend, so Eric, thank you again for your time, I appreciate you just being willing to come on and share your expertise with the listeners and myself and I know you have some unique super powers or specialty to a lot of us don't have and especially around this utility spin stuff and how you all have been managing that but before we get into that, I want to back up a little bit here, a little bit more how you got into the syndication business and maybe a little more about your all's firm.

**[0:01:22.7] EK:** Yeah, absolutely. Thank you again Whitney, you guys do a great platform and I'm happy to be a part of it. A little bit of background on me, I am born and raised in Chicago, I come from a real estate family. Most people in my family work in the construction aspect, mostly in residential. Being in real estate, being in construction as part of my blood, I come from the Russian Jewish family so genetics are pretty strong so it feels like real estate was a no brainer, I didn't really have an option.

But after I got out of school, I went to college up in Vermont and Burlington university of Vermont, studied finance, figured that was the best way for me to leave an open pyramid and sort of carve my own path without locking myself into anything. Moved out to Colorado post-graduation, started working for a clothing manufacturing startup up in the mountains of Colorado, that was a little too much fun, I had to get out of there before I got trapped forever so I was there for about three years, came back down to Chicago and started carving my way the real estate world. I started working for Ruttenberg Gordon investments, we go by RGI, about six months ago.

And as you said in the summary, we are a real estate investor, primarily focused on multi-family, got around 30,000 units across the country. In addition to that, we've got a solid venture capital growth equity department that invests and revenue generating companies and in addition to that, we've got a small credit department as well so we'll lend procured equity, mezzanine debt, mostly on the real estate space. It's been a quick wild ride but six months just felt like the lifetime at this point and it's a crazy evolving, exciting space and I'm happy to be growing.

**[0:03:02.8] WS:** Sounds like a wild ride to get where you're at. I would have never guessed you worked at a clothing manufacturer for three years.

**[0:03:08.4] EK:** Yeah, it's funny, you know? I feel like everyone has a unique path to get to where they are but that's how got to where I am today and there's a lot of crossover between what I was doing and the manufacturing space. I was managing a sales team, running a marketing department, and there's a lot of skills that you can transfer over into the real estate world. It's immensely helpful.

**[0:03:26.5] WS:** I'd love to just jump right in to your focus right now in what you all are up to and you know, just operational things that you all have changed recently or improved and will elaborate. We're going to jump into the utility spend and how you all have worked on that but I'd love for you to just go into some operational things or methods that you all have implemented recently and us to jump into some of those.

**[0:03:51.5] EK:** Absolutely. With our large portfolio, we're always looking at ways to really reduce or expenses on the monthly, yearly basis. How can we inflate the value of the property at an organic level. We are not operators, we do not manage our properties on a day to day level. We typically structure our deals by partnering with sponsors who have the infrastructure setup to manage the property on a day to day basis so for us, managing these assets is at the 30,000 foot view.

That being said, we acquire, we understand how to structure deals and we understand how to create value for our investors so managing our monthly spend is a critical part of that. For us, these last couple of months have been really interesting, I'm sure they have been for everybody for better or for worse but we really focused and honed in our time and efforts of how we can maximize efficiencies on the operational level.

With that, we started doing some research on energy brokerage, where our properties are located and depending on regulations and those states, do we have options to shop out our utility needs to the market to see if we can undercut what we're currently spending, we're talking to a couple companies about implementing valves and different structural pieces to the plumbing to really understand how much usage were paying for in comparison to how much we actually need and how we can minimize spend there. It's been a really interesting way to understand our portfolio and it's not something that you generally think about when you go into the syndication space, you know, you structure deal, everything looks good, everything's operating as it should on paper, all is well at the end of the day but how can we make it better, that's our thesis but right now, it's been pretty well received. We're excited to continue building this platform.

**[0:05:38.2] WS:** I just love hearing when people are getting creative like that. Really finding ways to maximize efficiency, lower the spend and how can we operate better and more efficient. It's so important and I feel like it's going to become even more important over the next few years just as so many more operators are coming into this space and we have to become as efficient as possible and I mean, every avenue, right?

We can still cash flow, make ideals work. We want to do it anyway just to increase the cash flow, right? We don't want to be wasting capital.

**[0:06:09.3] EK:** Absolutely, no one likes burning dollars, we're here to preserve our wealth and continue growing at the pace that we have been.

**[0:06:16.8] WS:** You mentioned looking for valves that will track water usage or something like that, is that right or can you elaborate?

**[0:06:24.0] EK:** An interesting company that we're looking to partner with, that would actually be part of our growth equity, private equity department, but it's a product that's directly applicable to our day to day business operating and owning apartments. What they've developed is essentially a valve that connects to the water main line in your plumbing system.

Something I didn't realize is close to 20% of what the water meter reads in terms of usage is air and it's not water. When your water bill comes once a month, 20% of what you're paying for is not water that you're actually using. This valve is a really interesting technology. It compresses all of the air in the water main line so that when this meter is recording your usage, it's only water not air. It's a really easy way to save 20% off your bill right off the bat.

**[0:07:19.2] WS:** How do we show the water company that we have these valves and this is what the actual reading is, how does that work?

**[0:07:26.1] EK:** The water meter is installed by the water utility, whatever that meter is reading is what's delivering back to the utility. This valve is essentially the middle man between your tenants using water and the meter that's measuring all the consumption on the property. It's basically just cutting out all of those air bubbles that get trapped in the water main line compressing them so that the meter shows only the exact amount of water that you're using and you're not spending extra dollars on there.

It sounds too good to be true and that's exactly how we felt when we first heard about the product but doing more research and running our due diligence for this, I mean, it's really is just that. It's such an easy fix and it took about one hour to implement this valve on one property, we did have to shut the water off which you know, is a nuisance to the tenants but we're saving so much money for us and for them that it was a no brainer.

**[0:08:17.9] WS:** Interesting. It's one valve just on the main line coming in. What kind of cost should we expect for the valve itself and to have it put in?

**[0:08:26.2] EK:** It's a new product and the company is offering a promotion free of charge to property owners and to tenants, they'll do the entire installation, they'll make sure that everything is running smoothly and it's all free of charge for the first year. All of the outside is for the property owners and their tenants, there's no cost associated with the service.

**[0:08:45.1] WS:** Wow, tell me about how this has changed that expense? Do you have a property or an example where you can say okay, we were spending this before and then we saw, or noticed this kind of reduction and that expense?

**[0:08:57.6] EK:** We tested this for our small portfolio properties in Florida and we're seeing a 20 to 25% reduction in our spend per month as of today. This is month one. We're at an all time high in consumption which I'm assuming most property owners are experiencing right now, everyone's at home, people are using, they're taking more showers, they're cooking more, running the faucets more often. Consumption is at an all time high, not just for water but natural gas and electricity as well.

As of today, as of this month, we're seeing a 20 to 25% reduction.

**[0:09:29.9] WS:** Is there a name for the valve or something where a listener can look this up as well?

**[0:09:33.9] EK:** Yeah, the company is called Flowsaver.

**[0:09:39.2] WS:** You know, anything else around either the water utility specifically that you all have, optimized or gained more efficiency in or another type of utility that we could talk about as well.

**[0:09:51.2] EK:** Yeah, in the water space, we don't have any other methods or technologies that we get method, but Flowsaver has been incredible for us. I think we're okay with the fact that we

don't have anything else as of today but in terms of natural gas and electricity, energy brokerage is the idea that in any deregulated states which is about half of the states in the US, you can essentially shop out your common area utility needs for a property and find many different suppliers that may or may not be able to undercut the pricing that you have locked in as of today.

Long story short, deregulated states have created a free marketplace for both electricity and natural gas which is the opposite of what a regulated state is doing where there's one supplier, you pay whatever they're charging and that's the end of the story. In these deregulated states, there are many different wholesale suppliers that sell the utilities to the companies that deliver the power to the property.

Those companies that deliver the power, called ComEd which is complete utility delivery service and my backyard here in Chicago. The only infrastructure, they own the powerlines, the natural gas infrastructure. They're going to deliver the power to you and that's never going to change. They are going to charge whatever they charge but the companies that they're purchasing the power from in a state like Illinois, Texas, California and New York, where utilities are deregulated, there are many wholesale suppliers that can sell the power to them.

Therefore there is inherent price competition and potentially savings to be had. So we have implemented energy brokerage across our 30,000 units. We are saving close to 30% across the board. Obviously some markets are a little better than others but across the board, 30% savings on a per month basis is a huge value. So think of it this way, you are spending a \$100,000 a year on your utilities. You are saving 30% with energy brokerage.

So you are cutting out \$30,000 at a five cap property, that is \$600,000 of value that you have created in the market for your property. So it is immense value and for us our partners have owned these properties for 15 years and they've never used this service like this and it took that long to figure out that maybe we should figure out a new way to manage our utilities and how can we save money here and until we took a look two or three months ago, you know we didn't even know something like this existed.

It's been an incredible process just to learn about it from the forehand. So now we are in a position where we want to introduce this to a bunch of other property owners and bring this value to other people. It is really a great service.

**[0:12:29.2] WS:** So how do you know if you are in a deregulated state or not?

**[0:12:33.0] EK:** You can type into Google am I in a deregulated state, hundreds of maps pop up, yeah it is that simple.

**[0:12:40.2] WS:** About the energy brokerage, how do we learn more about that?

**[0:12:43.4] EK:** So we're partnering with a company called Lower Electric, which is based here in Chicago. They have been in the business for 30 years. They are a full service energy consultancy but they got a pretty big energy brokerage department. So we are rolling out this platform in hand with them and if you type in [lowerelectric.com](http://lowerelectric.com), you can get directed to their website. Learn everything you need to know about them.

Similar to the flow standard product, the water valve, it is completely free of charge to property owners. Energy brokers get compensated directly by the utility suppliers. So again, all of the upside is in the property owner's hands. It is truly a no brainer, which is why we moved forward with it.

**[0:13:21.1] WS:** What other efficiencies should we know about maybe that you all have implemented or anything else about the energy brokerage that you can just elaborate on so that we can be better informed?

**[0:13:30.4] EK:** In terms of brokerage, there isn't much more that we can do outside of these deregulated states. You pay whatever you got to pay to those suppliers that you are already working with but there are always more efficient sustainable practices that you can implement to your properties. So Lower Electric like I said, full service energy consultancy. They came in and retrofitted our properties with more efficient light bulbs and that was a quick way to save a few points on our utility spend per month right there.

Implementing all of these different little practices, it may sound minimal at first especially if it is a smaller property but it all adds up. If you are in the syndication space, if you are owning a property as an investment, this is huge value that you can unlock at the market when you go and try to refinance or recapitalize or sell your property, whatever it is. I mean this all translates to value at the end of the day.

**[0:14:21.1] WS:** No doubt about it. A massive value for sure. So on that note though but then also managing or having a hand in 30,000 units, that's a lot right? And we were thinking about just asset management and watching all the numbers, watching out properties operating and making sure things are getting done, can you elaborate just a little bit just on your all communication systems between say the management companies or the operators and you all and just how you do that across that many units.

**[0:14:50.7] EK:** Yeah, definitely. So like I said we are not the property managers. We are always partner up with a property management company that has that infrastructure set up. Luckily, we got great partners in place. So we are a really small team and it is only four of us, the core four fulltime that are focusing on our portfolio. The company that we partnered with has a similar in house team that is only four to six people. So between the eight to 10 of us, we have all hands on deck looking at this portfolio from a high level.

With that being said, our partners do have property managers on site obviously. They got a big system of people that are running the property day to day but with the small team, we have reports that are coming in on a weekly basis, on a monthly basis that we can all review and figure out where can we cut some of our spend, where should we spend more money. We get reports from our property managers about interactions that they have with the tenants just being on site having conversations.

Learning about their tendencies, their preferences, what do they look for in properties so just through this ownership process, you gain insights into what people want, how you can provide it to them. You find the balance, how can we both create value for our investors as the managers while also creating a great community for our tenants.



**[0:16:07.5] WS:** It is not easy right? I mean that many units but you all have some amazing systems no doubt about it and just communication with the people on the ground that is incredible but what is a way that you all have improved your business or operations recently that we could apply to ours other than the energy brokerage and the flow saver and things like that.

**[0:16:26.3] EK:** We touched a lot on the energy brokerage side. For us, we really just stress communication internally. Just making sure that everyone is on the same page at all times. So we work 24/7, 365. I wouldn't say that is recommended for everybody but for us that's the best way for us to always be on the same page. So being such a small team, having such a large portfolio and still being really active in the acquisition space be it tons of deals that are coming through the pipeline.

And it is almost impossible to have a detailed understanding of everything that is coming through with so much activity. So we just really stress communication. We got our shared docs that people are updating constantly. We are on phone calls 12 hours a day almost internally. We just sit on a conference side together between the four of us and talk about whatever pops up and communication is really been key and that is the same with our operating partners as well.

Even though they are external to our company, we all feel like we are one team and I think that's been critical in our success.

**[0:17:28.1] WS:** Do you have a tool other than a phone call or email that you all use to help keep communication lines open?

**[0:17:33.5] EK:** I wish I could say we did. In this day and age there is so many great tools and applications and websites and software, whatever it is that can streamline these processes but I guess we are old school and we just stick to the phone. We stick to a shared docs that we can all access and update and keep live and that's about it. It sounds archaic especially for myself. I am 26 years old. I am a classified millennial I guess. I use a lot of these other technologies in my personal life but on the professional scale it is just not something that we found necessary.

**[0:18:08.0] WS:** How are you all finding investors right now?

**[0:18:10.8] EK:** We work with a roster of investors that we have been working with for 10 to 15 years at this point. So we are not a traditional syndication company in the sense that we are taking money from non-accredited investors and from a large pool of people. You know we got 10 to 15 high net worth individuals that we work with.

**[0:18:30.0] WS:** What is the number one thing that's contributed to your success?

**[0:18:32.9] EK:** My personal success is probably my Russian Jewish heritage. I think that's instilled some serious drive and passion in everything that I do. I am a first generation American and being raised by two immigrants, they make it very, very known that all of the decisions that they have made have been for me and if I don't appreciate that and I don't work hard and I don't make them proud then I am a failure. So it was a lot of pressure growing up.

But in terms of our company I think we just positioned ourselves to be experts in the space and people are recognizing that. So through word of mouth, through networking, people understanding that we are a go-to investor in both real estate and now in a new department and private equity and venture capital. So it's been amazing to see this growth naturally, organically.

**[0:19:20.4] WS:** I am grateful for your time and just you being willing to share your expertise. I know you have added value to the listeners that are operators and myself but then ultimately you've added value to the investor, passive investors that are listening as well you know, down the line for us being able to optimize or maximize our efficiencies and things like that with the utilities and different things but grateful for your time today. Tell us how you like to give back.

**[0:19:43.3] EK:** I grew up in an area where sports were a big part of my life and I grow up as a soccer player, hockey player, volleyball player. So now I actually coach the youth teams that I grew up playing in. So I coach five to six year old soccer team in the spring and summers. I coach hockey for 12 and 13 year olds in the fall and winter and for me it is just a great way to really connect back to my community and see all of these kids that are in the same shoes that I was in.

And really getting back out and running around, getting on the ice, kicking the soccer ball around is a lot of fun indeed. It's just great to see these kids so passionate about playing sports and being part of a team. So that is how I give back.

**[0:20:28.0] WS:** I appreciate you sharing that Eric and giving back in that way. Tell the listeners how they can get in touch with you and learn more about you.

**[0:20:33.2] EK:** Yeah, for sure. You guys can check out our website, [ruttberggordoninvestments.com](http://ruttberggordoninvestments.com) or shoot me an email at [ek@ruttberggordon.com](mailto:ek@ruttberggordon.com) or call me, text me at 847-409-0643. I am an open book, call me 24 hours a day, I'd love to chat.

**[0:20:53.7] WS:** Thank you very much.

**[0:20:55.1] EK:** All right Whitney, thank you.

[END OF INTERVIEW]

**[0:20:56.7] 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]

**[0:21:36.9] 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

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