

EPISODE 600

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[00:00:24] WS: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today, our guest is Stuart Gethner. Thanks for being on the show, Stuart.

[0:00:32] SG: Honored to be here. Thanks for having me.

[0:00:35] WS: Stuart started and sold three different pharmacies and now focuses his attention on real estate investment practice. Senior instructor at the Commercial Real Estate Institute where he has taught on 10 different real estate subjects that over 5,000 students have attended, offers real estate investing coaching and consulting services.

Stuart, grateful to have you on the show. A pleasure to meet you personally and just grateful for your time. I know the listeners and myself are going to learn a lot from you and have a lot to learn from you. Give us a little bit of background on yourself in the commercial real estate space. Obviously, you're very experienced and teaching that many people and been in the game for a while, but tells a little bit about how you got here and let's jump in.

[0:01:15] SG: When I was a kid growing up, I used to watch these infomercials on television, guys like Carleton Sheets and Dave Del Dotto. They would be on the shores of Hawaii surfing and then having, so they would say, the money rolling from all the real estate investments. I said, "When I grow up, that's what I want to be doing." It's certainly not as easy as they made it

seem but it certainly has its payoffs.

[0:01:38] WS: Nice, okay. So that inspired you at a young age. That inspired you and said, “I can do that.”

[0:01:44] SG: Yeah. Thank you for mentioning about the pharmacies. I’m a pharmacist and I still am a pharmacist. I’m in the Scottsdale, Phoenix, Arizona area. I used to own pharmacies here, independent pharmacies, and I had a nurse come up to me. One of our pharmacies was a hospice pharmacy, and she said, “Do you know what the number one regrets of my patients are?” I said probably spending too much time at the office and not enough time with their family. She says, “You’re wrong.” I’m like, “Well, what is it?” She said, “They live their life for someone else.”

My dad was a pharmacist. My grandpa, my uncle Max, they were all pharmacists. I couldn't make it in Major League Baseball, so I went into pharmacy and I said to myself, “You know what? As time passes – It was just yesterday I was a kid. Now, I’m an adult, getting older. If I don't do this now, I may never get it done.” So, I had a chance to sell the pharmacies back in 2012 and I've been working in in the real estate investment community ever since.

[0:02:39] WS: Okay. So, 2012, you made that decision, “I'm going to go do this.” That’s probably a pretty good time to go do it. What gave you the confidence to be able to jump in to real estate and, I mean, to sell that practice? I mean, obviously, that you didn’t make that happen overnight. I mean, I know that took a lot of work, right? You decided to sell that.

[0:02:57] SG: Right. I had been an instructor for the Rio Salado College out here for the pharmacy technician program, and I started doing a little dabbling and investing in real estate myself. I was doing residential real estate and I like the concept from commercial real estate on triple net leases where the tenant pays for the taxes, the repairs, all the other things that go with, and so I kind of invented in our neck of the woods the lease option strategy using a triple net lease with tenants.

From there, it really escalated. I would have people put money down to do a lease option and I'm sure you've heard this story before. Most of them move on. They don't exercise their option to buy, and so I was able to do that two or three times with just one property. I realized in order

to scale, we wanted to make sure that we can have all the pieces in place. What really intrigued me was commercial real estate because you can continue to buy single-family, single-family, single-family, and I did that. But it's so much easier to have all your homes, if you will, under one roof like an apartment complex than it is to just driving all across town to different neighborhoods to check on your various properties.

[0:04:10] WS: You teach 10 different subjects at the Commercial Real Estate Institute. What are a couple of the subjects that are most attended by students?

[0:04:20] SG: How to buy a property out of foreclosure, pre-foreclosure foreclosure. In the real estate school, we have a lot of beginners, so we have a beginner series program that I teach as well. How to buy a property on bankruptcy. I was teaching how to buy a property in short sales before short sales became a household name many years ago. There is a lot of different strategies that I taught.

Probably what I find most intriguing, to be honest with you, Whitney, is one of the policies the school has is if you sign up for a course, you're allowed to take that course for free for the next 12 months. So, the material was too intense. You can come back if there's a new manual. They'll give you new manual. I would see students not just taking it again in the same year. I would have students going back to my class the next year, same class, and the next year. I'm scratching my head wondering, "Am I not a good instructor?"

I always got voted the best instructor at the school and didn't realize people – They're just always getting ready to get ready, right? There's a confidence thing about taking that leap, and so that's why I started my coaching consulting practice to kind of hold people's hands as they transition through the first, second, and third deal, so they can learn that you don't need to be a pharmacist, an attorney, a lawyer or a doctor to be doing this real estate investing. It's not very hard. It's hard work but it's not hard.

[0:05:43] WS: That was a good quote there. You said people are always getting ready to get ready, and I couldn't agree with you more. I mean, I get calls every week, whether it's about podcasting or getting started, raising capital, or to get in the commercial real estate business. Then I noticed there's people that two years later that nothing's happened, right?

Help us with that a little bit. I know you're working with that many students. Let's just dive into that a little bit there, because I know there's many listeners who have probably been in those shoes for a good while or they've been listening to the show for two years almost and maybe still have not taken that step yet. Help us with that a little bit. Personally, I know so much goes back to mindset and just getting out there and making it happen, but help us to put some tread to that. How do you help people do that?

[0:06:27] SG: Whitney, you're spot on. In my opinion, everything has to do with mindset. Mindset and attitude and what goes on between your ears is everything. But to answer your question, what I found that students and people have most challenging is confidence, and so they may have all the relationships, they may have the ability to find property, they may have the ability to work partnerships, joint ventures, but they don't have the confidence.

It's kind of like when you go for a job, and the job requirements are you got to have some experience. It's like how do you get the experience to get the job without someone giving you a chance to have the experience? Confidence is the number one obstacle, and I think the way that I found most effective to be able to help folks out is to be a coach or consultant to be there when you need me.

I'll give you an example. I have a coach. Her name is Sheryl, so we call her coach Sheryl. Back in the day, we would have a standing appointment on Fridays. Every Friday, I have a consult with my coach and my mentor. There were some weeks on a Tuesday I wanted to talk to her, but my appointment wasn't until Friday. Then there were some days where on a Friday I'd have really nothing to talk about.

So, I think the biggest challenge is being there when you need them even if it's for a simple question or even a long question or to walk property or to help through a contract or to help through negotiations. Being able to have someone – One of the things that we do is we'll make live phone calls. When we put on our seminars and our conferences that are educational-based, we'll literally make live phone calls to active listings or to FSBOs, for sale by owners, and people enjoy hearing that I still get flustered. I still ask silly questions. People will still hang up on me.

That gives them the confidence to know that if they fall, someone who's been doing this for a while with a lot of experience and maybe a little gray hair still has challenges as well.

[0:08:25] WS: Rejection is hard, right? It seems like getting started in this business, you just already – We don't expect it maybe or we don't – If you just think, "Okay, I have to be rejected 25 times before I get one yes." Me personally, I just want to say, "Okay, when we do get started?"

[0:08:41] SG: Yeah. That's a great point. For our KPIs, our metrics, when we're humming, we're dropping a little over 10,000 pieces of direct mail a month. We do different types of advertising. But from what we can sell, we need about 30 to 40 phone calls, 30 to 40 touches, emails, whatever that looks like in order to get a deal. So, we're going to hear no 30 to 39 times before we're going to hear a yes.

I can honestly tell you, one of the reasons I think that we don't have a high success rate when people jump into this market is because they get discouraged, right? Then they'll get an email about look at cryptocurrency, look at this opportunity. Because they're discouraged, they get distracted. They have the commitment starting out. But over time, if they don't see the little pieces of success, little baby steps, it's easy to fall off the wagon.

[0:09:36] WS: Is it important to track that? Like you said, we know it's going to take 30 to 40 pieces of mail or email or phone call. Is it important to track that?

[0:09:44] SG: Let me tell you, we were writing contracts as everybody does. We're writing contracts after contracts, offers after offers, and they're getting rejected. We had a pile sitting on the desk and it was like, "What do you do with all these rejected offers?" Maybe there's two, three, four months' worth. I am not a realtor. I am not an agent. But my lovely bride, Stephanie, is, and so I asked her to do me a favor. I asked her maybe to go through this pile and see if any of them had sold, to see if anybody was still interested.

We have 40 offers that she went through. Four of those offers, four of those contracts, two were accepted below what we asked. Someone had accepted an offer. Ours was higher. They rejected us. As time went on, they took it off for less than ours. The other two, one was \$500 more

than ours and one was \$1,500 more than ours. So, I learned even though you have the rejection of your offer, that doesn't mean the deal is dead.

We put a system in place to cycle through those every 30, 45 days those rejected offers, and we found that we were getting close to a 10% acceptance rate on that pile if we just stayed in touch and follow through. That's the challenge I think everybody has in any sales. Whether you're in real estate or you're selling cars or whatever you're selling, the money is in the follow-through. Don't you think?

[0:11:13] WS: Yes. The money is in the follow-through. I like that. I like that a lot. Help us with that a little bit. I know a lot of the listeners are trying to learn to raise capital. They're trying to start in the syndication business obviously, but help us to have that follow-through let's say with investors. How have you seen people do that well? Or they're nervous and they expect to hear no, right? You're afraid to hear no from investors. I know I was there at one time. I just had to do it anyway, right? Help them though a little bit, working through getting ready to hear no numerous times.

[0:11:45] SG: Sure. Well, I always like to joke. If you've ever been on a date or if you've married, you've probably handled rejection before, right? It's not really new. It's not fun. It's not exciting but it is challenging. Especially when you're going to try to ask somebody for money or you're going to try to raise capital and raise money and use OPM, other people's money, it can be challenging. The advice that I give my clients is we start with a transaction. We start with a deal, so we could ask people, "Hey, would you be interested in investing with me if I found something?" A lot of people say, "Yeah. When you get something, let me know."

Most investors, at the end of the day, they all want to see something on paper or on a spreadsheet or whatever that looks like. So, you can put a beautiful brochure together. We're buying a 70-unit apartment complex down in Tucson. All we have is a bland spreadsheet, and we send that off to the investors. They want to see the numbers, so you have to know your numbers and you have to be comfortable knowing your numbers, whether it's what percent vacancy, how much is the cost to turnover a two-bedroom and one-bath apartment. You have to get comfortable with that, and that only comes with time.

Trust me, I still make mistakes. They're going to make mistakes. Nothing's ever note-perfect the first time you write your song. But at the end of the day, what I found with the investors that I work with and I've said this to our classes, we offer, at no charge, to read your business plan. If you have a business plan, I also head instruct for the local REIA. I have 12 online classes for the National REIA. Read your business plan.

Of all the hundreds or thousands of business plans I've ever read, not one of ends with, "I'm going to get divorced and I'm going to lose everything." Not one of them ends with, "My partner is going to drain the bank account and I'm going to have to go bankrupt." They all have happy endings. Every plan I've ever read has a happy ending, and we know that that doesn't always happen, right? Nothing ever goes according to plan, but you wouldn't know it if you didn't have a plan.

The investor ultimately, because he or she knows that what's on paper may not come to fruition, ultimately, they're investing in you. They're investing in your ability to take – When everything goes right, if you're steering the ship on the ocean and it's smooth sailing, anybody can steer the ship. It's when the storms come, right? That's when we want the experience, the knowledge, the wisdom. Someone's going to roll up their sleeves and get in there and work to fix it.

The advice for your audience is to create some type of spreadsheet when you have – Even if it's a fictitious one. You just want to start getting to know the numbers. Whether you're going into syndication for apartments or commercial strip malls, whatever that looks like, you need to know your numbers of maintenance, repairs, and be comfortable talking about it. I'll tell you, the first time you talk about it – When I sold my pharmacies, that day I was on my way to our local REIA meeting. Whenever anybody would ask me, "What do you do," I would say I'm a pharmacist. I own pharmacies. I do real estate on the side." I couldn't say that anymore. I just sold my pharmacies.

Now, the next words out of my mouth when someone asked me what you do, they were uncomfortable. I really didn't know what or how to say it. So, the first time you say stuff, it's going to be so much different than the 10th time you say it, than the 100th time to say it. So just getting that experience under your belt, working through that uncomfortableness is the challenge, but that is the path to success.

[0:15:19] WS: The sooner you get started, the sooner you're going to get more comfortable, right?

[0:15:21] SG: Absolutely. I'm sure you've heard this. There's two great times to invest in real estate. The first time was 20 years ago and the second time right now.

[0:15:29] WS: That is right. I couldn't agree more with everything you just said. Operators are – Or, I mean, investors are investing in the operator more than any deal. No doubt about it. It doesn't matter how good the deal is. If you've got somebody that's dishonest, it's probably not going to go well, right? You've read all those business plans.

What do you see in a business plan that helps portray that honesty and that, “Hey, we're a company that's trying to do it as most up and up as possible. We're somebody that's going to be standing strong as we can in that storm and have our investors first in our mind.”? How do you see that portrayed in business plans the best?

[0:16:04] SG: Especially when I'm looking at numbers, the number one thing that I think all investors look for experienced investors is the category on your spreadsheet called miscellaneous. In other words, I need to put money in a miscellaneous category that I have no idea what I'm going to need it for but I know that I'm missing something. They say you never get hit by the bus you see coming, and so I put business plans together, and there's always something that comes up. If we're doing development that there may be a boulder in the ground that we didn't know was there and now we got a higher crane to get it out. I didn't know it was there.

All experienced investors, when they look at your numbers, they want to see categorical miscellaneous, and the answer is I don't know what that's going to be used for but I know I'm going to need it. If you like the numbers with the miscellaneous category, if I don't have to use it, then you're going to love my deal.

[0:16:55] WS: Yes. So just like a reserve budget just in case, the emergency fund type.

[0:16:59] SG: Exactly.

[0:17:00] WS: Okay. I love that. I love that. We're really big on having a big reserve budget for – I mean, we're not, excuse me for better words, but just ignorant enough to think that we know everything, right?

[0:17:12] SG: Yeah. It's stuff that never ceases to amaze me, right?

[0:17:14] WS: Yeah, that's right. That's right. That's right. Well, Stuart, what's been, say, the hardest part of the, say, syndication process or commercial real estate business for you?

[0:17:23] SG: It's challenging jumping through the hoops with the SEC. It's challenging jumping through the hoops with the attorneys. Sometimes, it's a hurry-up-and-wait mentality. We got some paperwork. We got some questions. They've got some questions. Hurry up. Fill this out, so you stop what you're doing. It's nothing that simple. You got to either go back and get previous tax returns or type a letter of explanation or whatever. Then you get it to them and submit it. Now, it's wait. So, I call it the hurry-up-and-wait mentality. It's hurry up and get this to me, and then you got to wait.

[0:17:54] WS: What's a creative way that either you personally or you've seen other people find investors or connect with investors?

[0:18:01] SG: Well, back in the day before there was a big pandemic, putting on social events, putting on educational seminars. I get invited all the time to go to a Ruth's Chris Steak House or Mastro's steakhouse for a free steak or some nice restaurant while they want to give me a presentation on the insurance or how to deal with social security benefits or whatever the topic du jour might be.

But for me, I'm a big Tony Robbins fan and I've crewed a few of his events. I went to his business mastery and I embrace his way of marketing, and that's marketing by education. So, when we put on our monthly events, when we put our biannual events, I just think it's really cheesy to stand up on stage and go, "If you buy today, I'll throw in my Ginsu knives in the back of the room." I just think that's cheesy, so I like to give educational-based seminars and conferences where you come to learn.

There's a segment of the population that will come up to me, usually about a third, and say, "Hey, I'd like to know more about how to work with you or how to do these – Coach. Can you consult with me?" A third of the people will get the information that they need and be able to leave and go on their way and use it. Then the third of the people I found still scratch their heads. Like we said earlier, they're going to get ready to get ready or they're going to the next seminar or the next conference. I think they're called conference junkies or something of that nature where they just hop from one to the next and just it'll get it done.

I like marketing. I like finding investors. I like finding clients by education-based. Now, we're doing more webinars and doing more like we're doing here, more podcasts because we have to keep our social distance. But ultimately, this too shall pass. At some point, this will pass, and I look forward to getting back to meeting people one-on-one, face-to-face.

[0:19:49] WS: What's your advice for being prepared for a downturn or maybe a way that you're prepared before this pandemic?

[0:19:57] SG: I got a good friend of mine. His name is Joe Cook and he's in his 60s and he's been doing money, real estate his whole career since 21. He told me he's been in eight downturn cycles, eight. He looked at me one day and he said, "Do you know how many I was able to predict?" I was like, "No." He's like, "Zero."

I don't think anybody saw this pandemic coming. I don't think anyone saw some of the crises that we saw 10, 12 years ago coming. I think that you want to not be overleveraged. When we saw what happened 10, 12 years ago, '07, '08, '09, people were overleveraged. When your barber starts talking about investing in real estate, maybe it's a time to sit back and get back to cash, and that's what we did here.

Our barber, my hairstylist, was talking about getting into real estate investing, and I remembered that nugget, when your barber starts talking about real estate investing. My lovely bride and I, we thought we would just kind of liquidate a few other assets and sit on cash. I think as we look forward to the Q3 and Q4 of this year, there's going to be some opportunities.

[0:21:00] WS: I like hearing that from you. What's the, say, number one thing or something you've done recently to improve your business that we could apply to ours?

[0:21:08] SG: Well, here is a nugget that I'll share with you. I do this a little while ago but I think it's important. When I first started and when anybody starts a business, whenever you start, you do everything. Whether it's a real estate, you answer the phone. You take out the garbage. You raise the capital. You do the books. Whatever it takes you do, you walk the property, you write the offers, whatever that is.

One of the things that I noticed that I was doing was in January, February, I would take the last 12 months of books from the bank statements and I'd go into QuickBooks and I would then reconcile last year's January, last year's February that I enter every transaction because I wasn't really keen on keeping good books. I knew books were important, but it really wasn't a strong suit of mine.

Then it dawned on me that could I do my books. Yes, I could do my books. Should I do my books was a better question. So, finding someone even though – When we grow, when we scale, we have to learn to lean on others. We opened multiple pharmacies back in the day. Whenever we would open another pharmacy, we'd have to hire a pharmacist. Back in those days, pharmacist cost 10 grand a month. What happened to our income as we opened another pharmacy is our income went down because we had to lean on another person and bring that person in and train them. Then we were able to then eventually grow and we would grow higher than where we were before. Reach a new plateau, if you will.

I think when I look at others that struggle with scaling, they don't want to give up a lot of their tasks that they can lean on other people for. It's like by the time I show you how to do it, Whitney, I could have just done it myself and be done with it. So why take the time to train you because it's just going to be a waste of time. I can just get this done. If you're looking to grow and scale, that's not a good attitude. We have to take the time to train others so that we can free up our time to do the most important work, finding deals, writing offers.

[0:23:05] WS: Great advice. I've experienced it myself. Great advice. What's the number one thing that's contributed to your success?

[0:23:13] SG: Being humbled, realizing that I don't know it all, and be willing to listen to other people. I bring up my lovely bride because when I asked her opinion, I ask her opinion on something, and if I don't take her opinion, she kind of gets offended. But I'm not like that, so I want to get everybody's opinion. I'll get people's opinion. I want opposing views on why I shouldn't do the deal. What's the downside? Ultimately, I'm going to be the decision-maker. The buck stops here.

When I make a mistake and I've made plenty of mistakes, I can find my way out of it. I know what I did. Maybe I didn't have the right piece of information. Had I known now what I didn't know then. But ultimately, I think what's contributed to my success mostly is being able to network with other people, like-minded people, positive and prosperous people. Get rid of the people who bring you down, who are just nothing but negative and naysayers. Listening to opposing different views of the same thing.

If I said to you, "How do I get to your house today?" You would give me directions. But there's more than one way to get to your house. I could go another route. I can go another route. There's a lot of different ways we can create success, right? But learning to avoid the potholes and the pitfalls, that will save you time and money.

[0:24:30] WS: How do you like to give back?

[0:24:32] SG: I'm a big animal fan. I love pets. I would adopt them all. Right now, we have four dogs. My daughter does rodeo. I think she's up to about nine horses. My Stephanie, my lovely bride, she's allergic to cats, right? I have cats. Right across the street from our office is a charity, a shelter called Home Fur Good, F-U-R, Home Fur Good. Every time we do a transaction, we take the proceeds and we donate it across the street. I love giving back and I love helping people.

I know you're going to put my contact information up. So, if people want to have a conversation with me, my goal whenever I sit down someone is even if I never see them again ever, that they left that conversation better than when they came into it. I love pets. I love helping people. At the end of the day, it's not really about how much money you make. The legacy is really how many

people have you helped. For me, that's my goal is to help people.

[0:25:23] WS: Stuart, I appreciate your desire to give back and I'm grateful for your time today. I mean, you've talked about lots of things just in a short time here, and I'm grateful. I mean, whether it's from the mindset, having confidence, to dealing with rejections, to knowing how to present something to investors, and tracking that, and just being ready for that no, and understanding those numbers and why it's important. Business plan and even how you all have been successful finding investors or through social events and education.

Grateful for that, Stuart. But tell the listeners how they can get in touch with you and learn more about you.

[0:25:55] SG: Sure. Well, I'm sure in the show notes you'll put the email address. But my name is Stuart Gethner, S-T-U-A-R-T Gethner, G-E-T-H-N-E-R. The website is www.contactstuart.com and a simple phone number. 480 is my area code. 443-4500, 480-443-4500 and then stuart@gethner.com.

[0:26:18] WS: Awesome. That's a wrap, Stuart. Thank you very much.

[END OF INTERVIEW]

[0:26:21] 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 lifebridge-capital.com and sign up for the newsletter. If you're interested in partnering with me, sign up on the contact us page, so you can talk to me directly. Have a blessed day, and I will talk to you tomorrow.

[OUTRO]

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