Episode 646

[INTRODUCTION]

[0:00:00.0] 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]

[0:00:24.4] WS: This is your daily Real Estate Syndication Show. I'm your host Whitney Sewell. Today, our guest is Michael Migliaccio. Thanks for being on the show Michael.

[0:00:33.3] MM: Whitney, it's great to be here, thank you very much for the opportunity.

[0:00:36.5] WS: Michael has been entrepreneurial-minded since childhood and continued throughout his career in law enforcement. He co-founded Dual City Investments, a private equity commercial real estate syndication firm. He focuses on capital raising, investor relations, and identifying avenues to grow the Dual City brand. Started as friends and family — word of mouth syndication group — growing with a target of having a hundred million dollars of assets under management. After raising the majority of the funds for all the purchases to include their first fund of just under 15 million.

Michael, thank you again for your time, give us a little more background about yourself and at first, I want to say, thank you again for your service in law enforcement. I was also in law enforcement at one time and I'm grateful for all those men and women that served and helped protect us. Grateful for that and give us a little more of your background though in real estate and then we're going to jump in to building a brand while working full-time. And I did it for so long and it's not easy by no means. I want to jump in to that some — I know there's listeners who are trying to do the same thing or they're debating about, "Can I make this happen? Do I have that much time?" All those questions and so looking forward to getting into that but give us a little more about your background and in real estate?

[0:01:50.4] MM: Sure. As I previously mentioned, I've always been entrepreneurial. I literally was entrepreneurial in grade school, I used to sell Bubble Yum, I've always done things in looking to build businesses and create incomes in high school and college. I had a landscaping business. Once I got into law enforcement, which was a goal I guess I had probably from high school, maybe a little bit earlier than that. I ended up running into Keith. He and I worked together, Keith Nelson is my co-founder and one of the three partners that we had along with Joe Ryne and Keith and I worked together and we were working cases, sitting in cars, eating stale peanut butter and jelly for 16 hours a day but it was a fruitful 16 hours.

Aside from catching the bad guys, we were talking business the whole time and one thing that we really realized was that we were both very entrepreneurial, we both had taken on a lot of different business opportunities or ideas and one of the things that came out of those conversations was the writing of *Missed Stops*.

It's a book that we wrote over about a year and a half and it's about missed opportunities and one of the things that we came up with, a question really, was why are we not further along, we were both extremely motivated and both educated. I — we both had several different businesses that we were running or part of but we were never at the point where we both felt like we were really successful and you know, I have had people tell me, you know, you went through NYPD, DEA, and FBI, that sounds pretty successful. And I said, well, I'm comparing myself to people that are constantly striving, maybe not Bill Gates exactly but the Bill Gates of the world.

You have to look at these guys and say, they never quit. Keith is one of the hardest working people I've ever met. Joey is equally as hard working and that's something that we really push. But we were always very entrepreneurial, we ended up writing a book, one of my missed ops was the fact that I had not purchased real estate despite having a goal. I actually had cash flow through the landscaping business in the mid to late 80s. My brothers and I actually had taken the time and put in the effort to write down the goal, put it up on a legal pad and tape it up on our bedroom wall. But it just sat there and it never went any further. That was one of the things that led me in writing my share of missed ops.

[0:04:18.2] WS: Interesting. Wow, there's lots of missed opportunities that teaches a lot along the way aren't there? Let's jump into that a little bit, you were talking about you all were sitting in the car for 16 hours a day and obviously, there's lots of friendships that are built during those times together because you all endure a lot together, no doubt about it.

Some of my closest friends were in the same situations. But tell me a little bit about the struggles of, maybe when you started this business, you know, you're still working full-time. Some of the first struggles that you encounter and let's talk through those a little bit.

[0:04:48.9] MM: For me, I think the biggest struggle was, in my part, it was raising capital. I guess the first challenge that Keith and I ran into though was structuring the business. We decided we wanted to purchase real estate. Keith kind of was taking the lead down in South Carolina because we felt that was a great location. He lived there, it was his backyard, he saw a lot of growth, people moving from the northeast. It seemed like a really good fit. But one of the first challenges we had was that we partnered with four other individuals that we took it on because as we started talking about it in our circles, friends, and family just said, "I would like to get involved in that."

Actually, one of the guys who was one of the original six had brought up the idea to me when we were working cases, after Keith and I worked together. But we were working together in an FBI [inaudible]. And he said, "Hey, Miggy, why don't we go look at buying a piece of property in Florida?" One thing led to another, we decided to purchase real estate, we mentioned it to a couple of people, and basically, six of us got together. And we formed our first joint venture partnership, whatever you want to call it. Great guys, we love them all. To this day, they're still best friends, family and investors but to be frank, I mean, Keith and I did the majority of the work. After the second investment, Keith and I kind of looked at each other and says, "We probably could have done this by ourselves and reap all the rewards because we're definitely taken up the lion share of the work."

We decided to restructure and the other guys decided for the most part to basically be investors and to this day, that's really what they are. Again, we love them, friends and family but for the most part, we felt that we needed to restructure. That was our first challenge. The second challenge was raising capital. I think the first thing people come across is the fear of raising capital. I don't have a fear of talking to the people, Keith generally tells me I talk too much.

But if you go to any function or any training when you're young. I think you generally see the majority of the people saying, “I'm here to learn how to raise capital. I'm here to network, to find money” — so we were no different, you know? That was one of our challenges and what I think is a big part of the hurdle is that people don't know you as a real estate investor — real estate syndicator. They know you as X-Y, or Z. You know, if you're a special agent, if you're an accountant, whatever you are — anything other than in real estate, that's what they know you as. You have the hurdle of saying, “Hey, I'm now getting into real estate, I have zero experience but come and invest with me.”

[0:07:24.5] WS: That's difficult, isn't it? That is difficult to talk to investors. I mean, those first conversations are the hardest. Especially when you have no experience, no doubt about it, I remember that very well. How did you all get past that? What did that look like as far as having those first conversations with no experience and developing some track record?

[0:07:43.0] MM: For us, I think, we did it in a way that gave us a little bit of a head start because we partnered with six of us. We put our own capital up, so we purchased two properties, multi-family, originally, we started — Keith and I started looking at flips like most people do. FortuneBuilders, some of the other things out there but we looked at mobile home parks and we looked at section eight portfolios. But we ended up not moving into any of those spaces and we were fortunate enough to come across a realtor that found us a multi-family that we thought had a fair evaluation and we purchased it.

Then we found another one that was very close by so we purchased that. Ultimately, that was our head start because we put up all the capital between the six of us but now, we have at least a limited track record. You know, we had two properties under our belt, we're managing them, we made some minor mistakes here and there with how we plan and how we decided to manage — in the sense like what are the things that we looked at was financing for the very first property and we were very conservative and still are to this day. But there were some things that we could have done a little bit better but because of our conservative nature, we took the conservative route but it gave us the ability to purchase properties, not have to really bang on doors and make phone calls. But get some level of experience because we partnered with a group of us.

[0:09:03.3] WS: We'll get into the capital raising, stuff a little bit more, I think. But I want to hear too about starting a business like this while working full-time or like we said is very difficult. How did you manage your schedule? I mean, it's hard to be at home at all or if you're married, I don't know. If you have a family at all, that's difficult, especially if you're doing 16-hour days or something like that for a day job, it's difficult. Walk us through that a little bit?

It's a very common struggle and I think where most are going to quit and not going to stick it out. How did you do that?

[0:09:30.6] MM: Absolutely, it's really one day at a time because you never know, especially in our job, where the job is going to take you. I was fortunate enough at that point in my career to have time in and to land in some spots that were a little bit less time intensive. We have, within the FBI, so many different programs that you can work. So, when I was working cases, I was — working in some international investigations and six, maybe even seven days a week, sometimes for a year to two years on certain investigations. But, we have the ability in this agency to move into different squads that do different things and fortunately enough for me, the timing overlapped in the sense where I was able to find something that was a little bit less time intensive and I don't think I planned it that way. I think that's just the way it happened.

I was able to spend some of my free time and focus on real estate. The thing that really suffers though in the short-term is family life. I have always been doing things. I rebuilt my house, that took me years and I missed a lot of my children's childhood. So, I am married with kids and dogs, the whole thing but it is short-term sacrifice for long-term gain.

[0:10:42.6] WS: No doubt about it, I've experienced it first-hand myself. It is difficult managing both to get one operating. Let's go back to the capital raising a little bit and let's talk about that.

What's been some success tips or some things that you've learned to help you all be successful raising capital?

[0:10:58.3] MM: So I think we started like everyone else with friends and family and once you have some successes, you can speak to those successes. So I think really the whole business is what really supports your pitch or your introduction to people. Keith is very conservative. I am very conservative, Joe is probably even more conservative. The fact that our first goal is to never lose a penny of an investor's funds, I think helps us because as we speak to our experiences.

And what our goals are and how we structured deals and how we analyze the deals and then we look at our case studies basically and say, "Hey, this is what we did on deal one and deal two and deal three" — what really helps out and never prejudging anyone. You never know who might be thinking, "I need to do something. I have money sitting on the sidelines. I always wanted to get involved in real estate but don't know how." One of the things that we love about our company and how we've grown is that we're friends and family and a mom and pop type shop. We have grown through word of mouth.

So, starting with small successes and building on those and then just not prejudging anyone, talking to everyone about real estate and not being pushy, you know within reason. People are very happy to talk about their successes, I think. So, if somebody says, "Hey, you know I have a friend that was thinking about investing in real estate. Do you mind if I introduce them to you?" something along that line.

So, we keep it very low-key, we're not pushy and to understand from my perspective as a guy that raises capital to understanding timing is almost everything. You know I have touched base with people over years and they haven't invested and then all of a sudden, I pitch something and they say, "You know what? I have been looking at doing something in that industry." Which, I had a large investment for one of projects. Someone who never invested with us before and said, "I wanted to get into that industry. I haven't pulled the trigger yet" and just got into one of our projects.

[0:12:59.1] WS: So, you are saying this is somebody that you've known over a long period of time where you all connected numerous times but it just didn't work out in the past but now it did.

[0:13:07.6] MM: It was someone that I met and it was called Granadas and it was in Manhattan and I went to one of their functions, just happen to sit next to a young female and we got talking, ended up living in similar neighborhoods who actually knew some people, the same people and just kept in touch.

It was not anything that was like, "Hey, I am pounding the phones calling and asking." Just every once in a while, say, "Hello, how are you doing?" send it now, these days send a text message. And say, "Hey, how's everything?" It didn't have to be about real estate. It is just keeping in touch and then if we have a project, "Hey, you know you are looking right now for anything? No? Yes?" and she used to lend money. So, she was making money in real estate but in this particular case, it just happened to be that one of these projects that we're working on. She was really looking forward to getting into this type of a project and was looking toward the cash flow and the benefits of this type of deal. So, it is about being productive, consistent and not pushy.

[0:14:03.1] WS: Can't be pushy. That's true, you can't seem desperate in any way no matter how much you are. Do you have any ways that you're tracking interactions like that or how do you know when to follow up with people or are you all using any kind of CRM?

[0:14:15.3] MM: So, I do everything through — I am a little bit old fashioned. It is just basic spreadsheets and with the majority of the people, I know them. So, I have them on my phone and we own a hotel up in Lake Placid. It's called The Haüs and I remember taking a trip home then I took the train up there one time and I was on the train for about five hours and there's some spots that we have spotty reception. But aside from those spots, I was on the phone for five hours texting and telling on the people.

So, it is all about being efficient and there is always room for improvement for me there, no doubt about it. There's so many balls that you juggle, especially having a full-time job with this but being as consistent and persistent as possible in a sense that you say I'm going to just constantly being in touch with people, "Hey how is it going?" or "Happy 4th of July," whatever, it could be anything. Just staying in touch with people that's something that has really worked.

[0:15:07.4] WS: Michael, what's been the hardest part of this syndication process or journey for you?

[0:15:11.7] MM: I think for me personally, it's probably been that I am not as involved with finding the properties, doing the due diligence on the properties, those are things that I want to continue to learn more about. I want to be so fluent in those areas and there is so much to learn and you don't know what you don't know. So, raising capital, of course there is always room for learning there as well. But when I transition to full-time, actually one of the chapters in our book talks about aiming at too many targets and you don't hit any. So being able to really hone it down and focus on one thing is going to be a huge benefit for me personally.

But not being attached as much as I could be to the other aspects of the business is a little bit of a mental challenge for me. I want to learn all of those things. I want to be really involved in them but the challenge also is, from Keith and Joey's perspective, is that they're crazy busy and they don't have time necessarily every day to give me updates.

You know so we are trying to balance those things but it is really important. If someone is going to try to manage in this way, like we're dividing our responsibilities, you need to know about the properties. You need to know about the origins and why we are looking at it and the due diligence that we're doing and sometimes why we walk away, you know? So you gotta be really strong in those areas.

[0:16:27.7] WS: It is a partnership business no doubt about it and I just think when you can divide and conquer, you get there faster and you're more successful or just having more people that are expertise in specific areas and that sounds like what you all are doing. What's a way Mike that you all have recently improved your business that we could apply to our business as well?

[0:16:45.4] MM: I think flexibility and open-mindedness. I mean, we are looking at the environment, this is something we have always done is we let the market dictate where we go.

So, for example, going back a couple of years, we had a self-storage facility that was just doing very well. I don't want to say killing it but it was killing it. It was doing really well but you know what? We looked at the market, the local market, we thought that there was going to be some competition going in.

So, we don't get greedy, so we took the risk off the table and we moved through the product. But here, in this environment, especially with all of the different things that are going around the world right now, we are looking constantly for ways to ensure that we are preserving capital, rule number one and that we are making a fair and decent return. And, you know, one that is realistic and then to give options because we know these. People that have money sitting on the sidelines and it is only half a percent or whatever in the banks. So, we try to be creative and to look at every avenue possible to find ways to continue to grow and then to continue to offer our investors ways that they can grow.

[0:17:49.9] WS: What's the number one thing that's contributed to your success?

[0:17:52.7] MM: I think the partnership. I think having Keith and Joey as partners, you can't ask for two better partners and Keith and I, we have differences in certain areas. It is less real estate, I mean a lot of times we see eye-to-eye on things but having the right team, I think, is critical. You know you need to be able to be moving in the same direction but being different could be a positive because you see things differently and you might see something that one of the other partners doesn't see.

And you can say, "Hey, you know what? That's a reason to do something or maybe not to do something." So, I'd say the partnership is definitely the most important thing. It is the thing that has led to our success.

[0:18:28.6] WS: And how do you like to give back?

[0:18:30.2] MM: Right now, I mean, family is one of the ways that I am giving back just personally — and I have parents that are older. My mother has emphysema, so on a daily basis I am trying to get there, which again is one of those things that you'd have to try to balance because everybody has a story that's similar, whether it is young kids or immediate family or extended family and you have to take time out of your day, sometimes every day to help them.

I mean I've had a neighbor that was 96 years old and I used to take him grocery shopping and he has since passed, unfortunately. But just a great guy and I used to do things for him. So, I've always done things community-wise, not as formal but more on a personal level with people that are close to me. But on the real estate side, we're working on something called FITS Academy and it is an educational arm that we're considering building.

But on a regular basis, I am in touch with people and really, they're in touch with me and they are asking my opinion on something. Whether it's an investment or how to do something. So, I think that's one way and a lot of people are considering going from passive to active investing and a lot of times I will take calls that could be, maybe 10 or 15 minutes, or maybe an hour. So, I think a lot of times although we are looking at building FITS Academy. And that's Financial Independence Through Syndication. But we are looking to build that as an arm of our business, right now we are so focused on what we are doing that we're performing that function but it is not for money. It is basically just talking to people and saying, "Hey, if you have a question, feel free to give me a call."

[0:20:02.0] WS: Michael, I am grateful for your time and the way you gave back to us today as well and just sharing your struggles through getting started and raising capital and starting a syndication business and while also working full-time. That's definitely not easy. I think understated a lot of time — just the way it's expressed sometimes but I appreciate you just being willing to share about that and how you all have had success and got started now and have some momentum. So, the value of partnerships, no doubt about it. I've experienced that as well just the value of a great partnership. So, Mike, thank you again. Tell the listeners how they can get in touch with you and learn more about you?

[0:20:38.2] MM: So, you can go to our website and you can email me directly, mike@dualcityinvestments.com. Dual City Investments is our website, send me an email or go to our website, we have some spaces where you can just follow up directly, look for an interview or to get in touch with us. And I'm happy to talk to anyone but you can do it. I mean it is a lot of work, no doubt about it but you can absolutely do it.

[END OF INTERVIEW]

[0:20:58.8] 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]

[0:21:39.0] 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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