

EPISODE 653

[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]

[0:00:24.4] WS: This is your daily real estate syndication show. I'm your host Whitney Sewell. Today, our guest is Axel Ragnarsson, thanks for being on the show Axel.

[0:00:33.3] AR: Absolutely, I really appreciate the invite, looking forward to our conversation.

[0:00:37.6] WS: Yeah, I am as well, you have a very impressive bio and I'm very interested to hear more about your story. I know the listeners are going to learn a lot from you and hopefully be motivated and encouraged as well just by what you've accomplished but a little about Axel, he built a four-million-dollar portfolio by 25 using other people's money. He's the host of the Multi-Family Wealth podcast and founder of his real estate investment firm, Brickleaf Properties.

Axel, give us a little more about – I want to hear more about your background and how you got into real estate that quick and be that successful that early, right? Being that young and there's all kinds of issues there people have when they're younger in the business. I experienced some of that, you know, initially as well but would love to hear more about your story and just this path to success that you've had?

[0:01:23.6] AR: Absolutely. I appreciate the kind words and I'll try and keep it short and quick but back when I was in high school and early college, I would buy and sell cars, that was a little business I run on the side — and got to the point where I was in college and I was thinking

about what's bigger than this? What can I buy and sell that's more money and has more upside than maybe cars do.

So, I started just googling things, I watched HGTV so I saw the house flipping shows and you know, I thought, hey, maybe real estate is an interesting business to get into. So, I got into real estate through the lens of, I want to flip houses and then as I started doing more and more research into real estate itself, and specifically real estate investing — I found rental real estate investing and I said, that's probably a better model, you know, you do the work once and get paid in perpetuity, that sounds like a pretty good deal.

So, I started learning a lot about multi-family real estate specifically and how to actually buy it especially when you have little cash in the bank or just less cash in the bank than what you think you'd need — which is where I was at. This is in my early 20s. And then through probably after around 18 months of just pure research and networking, I found a small multi-family on craigslist and a three unit —

[0:02:33.3] WS: How long were you searching?

[0:02:34.8] AR: Probably 18 months or so, a year and a half, a good maybe even more than that. Just listening to podcast and reading articles, doing everything I could to learn the business — and an opportunity presented itself, my finance did with the private lender that I'd met through a college internship and that was kind of the start of my real estate career I guess. Since then, I've been using what's popularized as the BRRRR strategy, buying, smaller multi-families to grow the portfolio over the last few years and now, started raising capital from equity investors, primarily in the joint venture structure to actually scale the portfolio, buy some larger buildings and pour some gas in the fire. That pretty much brings us to today.

[0:03:13.7] WS: Awesome. That's an incredible story but it's neat that you had that entrepreneurial fire in high school and buying and selling cars and you know, were you making any money doing that while you were doing it then?

[0:03:25.6] AR: I was making some money. I look back, I thought I was making a ton of money at the time and then you look back and you think, you know, I was doing a lot of work to make

five, six, 700 bucks here and there but I just didn't want to work for someone else so I was like you know, what can I do on the side that makes some money and that's what it was.

[0:03:39.3] WS: Okay. So, you looked for something that had more upside, more money that you can make from turning something over like that, buying and selling and in came real estate and first you thought flipping, which a lot of people do, you think, we'll start there but then it was multi-family so you have more recurring income but I want to hear a little more about that relationship or how you got financing.

I know a lot of people, they get called up there, right? That can't get started because they can't get the financing or they can't get to the next step because they don't have any capital, they're on to put in and so, a lot of people will quit there. How did you make that happen?

[0:04:13.4] AR: Sure, so, the quick back story is I did a college internship for a small angel investment group. It was a group of 10, 15 guys that were investing startup companies and it's a great internship, obviously great connections were made there. And one of the guys that was in the group, also did private money lending. This is really early when I just started thinking about getting into real estate.

So we just had casual conversations, you know, five minutes before, five minutes after the monthly meeting they had where entrepreneurs would come in and pitch — and you know, my role is I basically take notes for the meeting and then distribute it after. And, I started learning more about what he did, what private money lending really was.

So, I just kind of lucked into understanding that piece of the real estate business really early on and you know, the biggest challenge that I faced was you know, despite the fact that I had a relationship with this person, it doesn't mean that they're going to lend on a deal that I find, right? There's a big gap between knowing someone and having them trust you enough to lend you money. So, basically, what I did was, I just you know, kept them apprized of what I was doing for over a year and I was looking at deals, I was evaluating deals.

It wasn't like I was meddling, I was spending 20, 30 hours a week on top of everything else I was doing just learning real estate and underwriting deals, making connections in the industry

and soon there was some common connections that I had with him — trusted individuals that were well-known in the real estate business in our local market. I was just talking to him about deals all the time. So it got to the point where when I did actually find this deal, this three unit property on craigslist and I brought him the numbers and I said "Hey, I'm really confident that this is something that makes sense."

He said, you know, we've been talking about this for so long, you're ready to actually execute on something. So, the takeaway for me is that you have to share what you're doing with folks that could potentially be lenders when you're starting out. You know, the more that people understand that you're spending time in the business and becoming more and more proficient with real estate as an actual business — then I think they're going to be more likely to lend you money.

That's what I prioritized early on was just really documenting what I was doing and sharing it with the folks that I might want to work with.

[0:06:15.5] WS: Interesting, so you're sharing, I mean, otherwise, people aren't going to know that you're pursuing this, right? They may have an interest as well and it's never even brought up if you don't talk about it.

[0:06:23.6] AR: Exactly. You have to share, it's really important, especially when you want to raise money because you need to kind of passively build that trust whether you're raising money from in the form of equity and in a syndication as some kind of partnership or it's a private money lender.

You're raising money in both situations but they're just payback in different ways, it's — you have to develop that authority in the space and it's hard to do that when you start so you have to be patient and put time into it but make it a focal point of what you do.

[0:06:52.6] WS: Let's talk a little bit about you know your lead generation strategy and how you networked and just how you started growing and your brand and you know, your business. Whether that started, what you were thinking about lead generation and networking and those things maybe even compared to now and how you've learned and grown that way.

[0:07:11.3] AR: Absolutely. When I was starting out, right ahead of time, I was a college student, I had time to hustle and you know, pound the pavement and talk to people and look for deals online and underwrite deals and something that I focused on early on was building some lead channels that weren't the MLS because this is 2016, 2017 — and it was competitive then, it's competitive now, you're not going to really find anything that's publicly listed. So in my space, which at the time was you know, four to 10 unit multi-family properties, there were smaller in size. I really prioritized networking with the owners in the market that owned numerous properties.

And I took a really long term approach to that, just you know, grabbing coffee every three, four, five months and just checking up on their business, letting them know that if they're interested in selling it that I was a buyer. Doing the same thing with the brokers that typically sold those properties and then I did some more active and paid marketing and prospecting so I did direct mail and I actually did a lot of email marketing and marketing might not be the right word but email prospecting where I find the owners of a building, you know, got their email somehow, Google search, skip trace it, find what the contact email was in their LLC, however you can grab it and I just reached out and start —

I wouldn't reach out saying "Hey, I want to buy this place, this is what I'm going to offer," — you know, I reached out with the goal of trying to build a connection. I'd reach out and say "Hey, I'm a local investor, I'm interested in buying more in the Manchester market, if you're interested in selling, certainly give me a call, if not, great, I'd love to meet and grab coffee and get to know you since we're both doing the same thing."

So, it's like a really low-pressure approach — I guess is a good way to classify it. A combination of all those things, built the lead funnel that basically outgrew the capital connections I had which led for me, or led me to even to raise some money. But that's — I placed a conscious focus on those few main areas and in the multi-family space, you'll find that networking is like probably the greatest way to get the deals. Comparatively, it's the more transactional business of single family homes where one owner is probably just going to sell you one house in their lifetime whereas in the multi-family space, you might have an owner that's looking to sell his six unit building but he's got another 80 units in his portfolio that he's looking to sell at some point.

So, I placed my focus on developing the connections with the people to have the buildings in my market and then they called me when they wanted to sell.

[0:09:27.1] WS: Nice, I think it's so smart. That's just another reason we like multi-family as supposed to single family. It's so true, the relationship component, especially syndication business, every aspect of it is relationship and team, you know, business. But even that aspect, a lot of people not see or think about that relationship as much but it is the seller's, I mean, you're right, a lot of them have been in the business many years and they have numerous properties and they're not just going to sell this one.

Eventually they're going to sell all of them at some point in time and so, tell me a little more about how you could just created that relationship, what would that look like? I mean, I know you mentioned like an email, maybe going out to coffee or something like that but you know, how do you – it's like reaching out at once a month, wasn't reaching out every week or six months or following back up, how did you finally bring up the property or how did you share with them that that's what you're into as well.

[0:10:19.9] AR: So, I try to prioritize providing value that as many touch points as I could and I'll try to explain that a little bit further but when initially reached out, something that I would do as I put together a newsletter for the market place, that was multi-family focused and it includes, I'm licensed so I have access to the MLS, I go on there and pull a lot of the data for multi-family sales in the area over the last quarter or over the last half a year, six months, whatever timeframe. And I would packaged that with some maybe key transaction or key events in the market, you know —

Maybe there's a new 250 unit multi-family development, I think that's something that anyone who owns a multi-family regardless of the size in that market might want to know about. I started pulling information that I, as an owner might find helpful. So, when I'd initially reach out, I'd attach that newsletter and at least now, it's not completely sales-y in terms of the message, right? There's some value being sent, making it known that I want to buy and then making it known that I'm interested in building relationship rather than I'm just rifling out emails or you know, messages to Craigslist for rent adds.

There's something like that. Basically, every time I reached out, I wanted to bring some value. And then after that, I basically put all the context ahead in the marketplace and there's CRM and the addresses of the properties that I knew they owned and basically I'd give myself reminders every three to six months, you know, reach out to this person, they own this property on 123 main street. I try and do some research to see and maybe there's something that's sold that's a similar type of building to the one that they own and you know, maybe they'd be interested in knowing what the new comp was in the area or something like that.

Basically, I did a lot of the things that brokers do. But I basically applied it as a buyer rather than as a broker. I tried to reach out, provide value as much as I can and I think that's not something that a lot of people do so when I did do that, it's another reason to just reach out and gives you another reason to stay in touch with people.

That was really the big thing I did in terms of building those relationships, more so than just completely cold outreach — where it's hard to build something off of that.

[0:12:19.1] WS: Do you think those techniques you learned from getting your license or you know, how did you really pull some of that stuff to — where did you pull that from? How did you learn to do some of that?

[0:12:29.7] AR: Yeah, that's a good question. I think it was really just brain storming how can I differentiate myself from all of the people that are contacting these owners, looking to buy their property. You know, when you're looking at direct mail, that's a conversation a lot of people have. How can I tailor my direct mail message so that it stands out amongst all the other pieces of mail then?

You know, even in the single-family space, that's something that flippers are always thinking about or wholesalers, right? And in the multi-family space, these folks are still getting mail and they're still getting in contacted quite a bit to buy their property — especially those that have owned it for a long time and have a mortgage of a low balance. They're on a lot of list. I try to think, you know, what can I provide them that's going to make me stand out and something that's easy to put together and then I can do so in a scalable fashion.

You know, a quarterly newsletter, that's a really easy thing to do, spend 10 hours a quarter, building it out, you know, run some data, grab some of the key events in the marketplace, throw it on a one page Microsoft word, convert it to PDF, there you go. Now you got something to attach to emails.

So it really came from what can I bring on the initial touch point that's different to what everyone else is doing and I kind of just work backwards into what would I want to see as an owner, right? If someone is reaching out to me trying to buy my property, what would make me click their email, what would make me look at their direct mail? You know, probably a newsletter that's included and no one is doing that in direct mail right? Because it takes more effort and it is not as scalable. I basically worked backwards into what I will respond to.

[0:13:57.4] WS: So I know you are also into content creation and I would love to hear like why? Why content creation and where is your company Brickleaf properties? Where are you headed and how's content creating helping or coming into that? What's your plans for the future?

[0:14:11.5] AR: Sure. So similar to putting together newsletters to actually give to a multi-family owner, I think it is important to provide value just across the board. You know, this is multi-family real estate. When you're in it, it starts to seem like a crowded space from the outside. It may not look so crowded, but when you're in it and you're all chasing after the same properties you have to figure out a way to differentiate yourself.

And like we talked about earlier in the show, networking and relationship building is probably the most important determinant factor if you are going to be successful in this business or not. If you are going to get the deals, if you're going to raise the money. So I try to think about how can I do that in a more scalable fashion rather than spending 30 minutes on the phone you know three, four times a week with someone, right? That is hard to scale and using social media.

Building an email list of folks that I like to know — starting a podcast — that's all the great way to get people that maybe you didn't have access to on the phone or maybe you would have access to the other people but you wouldn't have the time to speak to them all at the same time. So for me being passively discussing real estate with folks is important and you know for

example posting on LinkedIn, right? If you post on LinkedIn once every couple of weeks you are doing more than 90% of the people in the real estate business are doing.

And if you are connected to the right people, you know they are just going to see your name come up on their feed. Maybe they don't have anything to sell you right now, maybe they're a broker, yhey don't have any deals to send you right now and maybe if they're a seller maybe they don't want to sell their portfolio or one of their buildings right now but at some point, they're going to remember, right? Because you're passively in the back of your head and you're in top of mind. That you are someone that they could speak to.

So for me that was basically it was the question of how do I grow my network in the most efficient way and creating content and distributing it in a scalable manner and that's social media, through Instagram, through LinkedIn, everything like that that was the answer for me. So I started placing the priority on that and it's really changed my business for sure.

[0:16:03.9] WS: What were a couple of pieces of content or types of content I should say that you were focused on and what was your goal with that? You know what are you after by doing that?

[0:16:13.9] AR: So one of the big things that I did early on was basically catalog and document deals that I did. So if I was buying a deal I talk about why I was interested in buying it, what the numbers were, what our business plan was, you know maybe it was a deal that was already completed. I talk about the same things but I talk about the end result. So basically, I wanted to catalog deals and distribute it in a way that other people could look at an say, "Hey I want to be involved in a deal like that or I want to work with someone who is doing deals like that."

So it was really just an easier way to gain access to capital — is really what it was and again, all the way back to the first point in the show, documenting what you are doing is really important because it helps to build trust in an easy way because not a lot of people do it. So that was really goal one was let's talk about the deals I'm doing. Let's talk about the — whether there were equity investors or debt investors, what their returns were, what their participation looked like and you know it is not asking for money.

That is apposed to not saying, “Hey if you want to work with me, shoot me a message if you want to earn 18% on your money, shoot me a message,” it is basically saying, “Hey this is what we do and we raise money,” and it organically cause people to reach out to you. So that is goal one and the other goal was anything that can build authority in the marketplace. So there was a post that I did on Instagram that went semi-viral, you know, however you define that.

But it did better than the other ones I posted. So I’ll call it viral and it was basically these are the ten things that we did to this property that added value and I talked about the unit renovations we did down to the material, down to the exact cost, down to the exact rent premiums that it achieved. I talked about how we reconfigured floor plans to add square footage to the kitchen and how that now comps us out with a different rental grade unit in our marketplace.

And just really tore into what we did at a meticulous level and someone who is looking at that is going to say, “Okay this from afar, this operator seems to know what they’re doing,” right? You know when it comes time for me to maybe want to invest some money into real estate. That is someone it seems that I should talk to and that’s the lens that I took. So adding value without expecting anything in return is really the key in terms of a lot of the content that I create.

And then just documenting what I am doing to make it easier to talk to people about raising money or finding deals.

[0:18:28.7] WS: What’s been the hardest part of this real estate journey for you?

[0:18:32.1] AR: That’s a new question, for me it was a lot of mindset stuff. I found myself hanging out in the same space for too long I think. I only looked at two to four multi-family for two and a half years and I look back and there is no reason I couldn’t have done a bigger deal than that but a lot of it was I had a tough mindset when it came to raising to equity specifically. Private debt was easy to find but as it related to raising equity those are the tougher piece of the equation.

Because in my mind I said, who wants to leave their money in a deal for five to seven years? That was a question that I had a hard time grappling with. It wasn’t until I started talking to the right people that were raising that kind of money and actually just talking with a lot of investors

that invest in real estate basically said that you know the time horizon is irrelevant. We care about dealing risk adjusted returns. You know we wanted money in real estate.

We don't need it back at any point in time. Basically that was the limiting belief I had was — who wants to invest money actually in a deal where they don't have a set exit usually within a year. So that was the tougher part. So it made raising money harder for me early on in terms of raising equity. That's since something that I have gone over as I have spoken to so many people who are like, "We invest way more money in real estate if the deals are there." So that was probably the toughest thing I dealt with early on.

[0:19:46.6] WS: I appreciate you just saying that because that is — I mean mindset is so crucial. I was just thinking about it during the show too. I mean that was the big change for me. I know I contribute some of that to military and to law enforcement training and just the mindset to keep pushing forward and all of that but it is so difficult to get past you know? And whether it is just changing your vision like you said from three to four units to really believing you can do something larger than that or just being willing to get kicked in the face but you keep getting back up right? And keep going. So what's a way that you've recently improved your business that we could all also apply to our business?

[0:20:23.2] AR: So my portfolio consist of a lot of smaller buildings. A lot of buildings that are three to 10 units. In aggregate, you know this is a more sizable portfolio, but it is hard to manage than one 50 unit apartment complex or something like that. So something that I have really had to focus on doing is maintaining a good handle on the operational side of the business as like an ongoing basis. So something that I have recently done is bimonthly kind of portfolio assessments.

Where every two months I go on and look at every property I have and I just look at the expense ratios, I look at what the rental income is. I look at where the actual money is going in terms of the expenses and I try and find anomalies throughout the portfolio on a more consistent basis. Previously, I got a little relaxed, and let things go — with that. I'd like at it at maybe quarterly or semi-annually. I look at it on a monthly basis but I wouldn't really, really look at it and now, I catch things faster.

Now there is when units are lagging behind market rent and my property manager. You know maybe they renew the lease without a rent increase eight months ago and we are looking at another lease expiration in a few months. I had better plans for a lot of that stuff and I also look to where we can spend money in the portfolio that is going to drive better ROI's. So I think as real estate investors we look at once there's return of my money on it as it relates to a new investment.

Buying a new building, you know investing in a new syndication or something like that. Whereas we don't look as often within our own portfolio to can I spend five grand within this asset and what kind of return am I going to get on that. So for example like something that I recently started doing is spending more money in our common areas in the buildings that we own. You know usually we'd make them nice, we'd paint them, we'd replace windows or something like that.

But we've recently started putting in like new LVT flooring in our common areas and we think that gets better rent increases through every unit in the building. You know it is just one example but it is somewhere to spend four, five, 6,000 bucks and actually see a payback on that in a couple of years or this is just going to be a better return that going out and buying a new property typically. So that is something that has changed my business in the last 12 months is looking inside of a portfolio rather than out of it to find the best ROI on the cash that we have available.

[0:22:34.5] WS: What's your best source for meeting new investors right now?

[0:22:37.7] AR: I mean REIM have always been the best for me as it's funny that you –

[0:22:42.6] WS: REIM's?

[0:22:43.3] AR: Yeah, real estate investing meet-ups. That's how I met most of my network early on. As you start to do bigger and bigger deals, you have to find new groups to join. So I'm constantly trying to find groups of individuals that are planned at a higher level than me. I still think that is the best way to network and you know being active on social media is actually a great way to grow your network whether it is LinkedIn or Facebook or Instagram or whatever it

is and that's how I have been meeting a lot of investors outside of my market too — which has been beneficial for me.

So social media, REIM meet-ups I think those have been the best and I would say the email prospecting that I did with the goal of finding properties is also extremely helpful in terms of growing a network because just putting myself in front of all the folks in my marketplace that are doing the business and that has actually helped me grow my network quite a bit.

[0:23:30.6] WS: What's the number one thing that's contributed to your success?

[0:23:33.8] AR: Prioritizing consistency and blending that with patience. So identifying the things that move the needle and just doing them for a long time without expecting any results. I mean this is like a business where it is going to take you a year and a half to see any results that are going to change your life probably. If you do it fast and not great like that's the exception that is not the norm. So really understanding that as I do all of the things that I do on a daily basis or did to really get the business off the ground initially was I think really key and just identifying what moves the needle and doing it every day I think it is just as simple as that.

[0:24:05.5] WS: Consistency and patience, no doubt about it. That's my story right there in two words. So how do you like to give back?

[0:24:15.2] AR: So I try and provide as much free real estate content as I can on social media, help people get ahead. I try and be as generous with my time as I can. I love to just speak with investors regardless of where you're at in your journey and talk about how you can get ahead and our local market there is a number of groups that are really trying to turn around some of the lower income areas in the city where a lot of the real estate investors invest.

So I try to be generous with my time as it relates to that and donate to a lot of those groups too. You know the local Manchester, New Hampshire is the market where I invest. I grew up just 15 minutes south of that and it is historically in a rougher area, compared to where the rest of the state of New Hampshire, which is a small market itself but it is recently been becoming a really nice area to live and I think there is a lot of pride of ownership especially with the folks living there and investing there. So it is something that I take some pride in.

[0:25:07.3] WS: Axel, it's been a pleasure to get to know you a little bit and hear about your story. I know there is many listeners that can relate as well. I know I can as well and I appreciate you just bringing up the mindset and the consistency and patience. I mean this goes a long way if you can have this things in order. Tell the listeners how they can get in touch with you and learn more about you?

[0:25:25.4] AR: Absolutely. So you can find me on Instagram @multifamilywealth or you can just search my name. I am sure it will come up, you can find me on LinkedIn. Again, search my name that is pretty unique, there's not too many Axel Ragnarsson out there and then I also host a multi-family focused podcast called the Multi-family Wealth Podcast. So any of those avenues is probably the best to reach me.

[END OF INTERVIEW]

[0:25:45.3] 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]

[0:26:25.8] 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.

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