

EPISODE 661

[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]

[00:00:23] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Arn Cenedella. Thanks for being on the show, Arn.

[00:00:33] AC: Hey, great Whitney. Really happy to be here. Appreciate the opportunity to talk to you and your listeners about what's going on with my real estate investing.

[00:00:44] WS: Awesome. Well, happy to have you on the show, Arn. I know it's been a pleasure to get to know you. Arn has 42-year career as a real estate broker and investor. Currently owns nine rental properties with 14 doors in total, has completed 19 flips and two subdivisions. He's helping active investors transition into passive multifamily syndication.

Arn, I'm looking forward to hearing your story and hearing more about just this transition too and how you're helping others go from – that are just really moving into multifamily syndication. I know some you're doing personally as well, and look forward to getting into that.

Give us a little background on yourself and 42 years in the real estate business. I mean, you've seen a lot. You've seen a lot of ups and downs and cycles, that's for sure. Give us a little of your backstory.

[00:01:31] AC: Sure. Well, just to put it in perspective, I bought my first house in 1980. My mortgage rate was 11 and three quarters. When we talk about 4%, 5%, 3.5%, I paid 11 and three quarters for my first house. I was happy to get it. My mortgage payment was 868.08. I still remember it. It was a big deal.

Anyway, I was educated and trying as a scientist. I have a masters in physical chemistry from the University of Michigan. Through that process, I became a parent. Science wasn't my passion. I wanted to return to the San Francisco, Bay Area, Silicon Valley, where I was born and raised. My father had a real estate business and he said, "Well. Hey, Arn. Why don't you come back, get your license and I'll put you to work?" That was 1978 and I've been doing it ever since.

My dad was a great mentor. But unlike a lot of residential brokers, he understood that real estate investing was really the way to create financial freedom and security, not so much the brokerage, but the investment. He was an old school guy, so he would buy single-family homes as he could afford to do so. I of course, modeled his approach and started investing in single-family homes. Over the past 35 years or so, I've probably owned 30 to 35 rentals, both in the San Francisco, Bay Area, as well as in Austin, Texas and Charlottesville. In 2014, my girlfriend and life partner and I made a lifestyle change to move to Greenville, South Carolina and I've loved the market here so much. I've just been as busy as ever investing in single-family and two to four-unit properties.

[00:03:35] WS: Nice. You've been in real estate for a long time. You've been focused on residential real estate and single-family, but you're deciding to change that strategy a little bit. Is that accurate? Let's get into that a little bit.

[00:03:48] AC: Yes. It's very accurate. Coming from the San Francisco, Bay Area, as most of your listeners probably know, it's not really a cash flow market, okay. Hard to make a million-dollar single-family house cash flow. My school of thought on investing was if you could buy something with 20%-25% down and it would break even, that's a good investment. It's going up 10% a year in value. That's the school that I came from. That was the market I came from.

I think as one progresses through their life and business career, well we always talk about capital growth, versus cash flow. It's either or both. I think early in one's working career, perhaps

capital appreciation should be the focus. You have a W-2 job that's paying your bills, you're building for the future, so let's grow your capital, grow your equity. I think as one gets older, at least from my perspective, the scale starts to tip to where cash flow is more important.

While my single-family rentals were great properties, they've appreciated in value, I have a lot of equity, my monthly cash return on that equity was minimal and less than what I can get by investing in multifamily syndications. One motivation for me to shift my investing strategy is increase monthly cash flow. Then the other one is I'm 65-years-old and I have a lot of things I'd like to do; travel, volunteer, and so I've become less enamored of the day-to-day responsibilities of being a landlord.

I've been very fortunate. I have few, if any horror stories of being a landlord, but even simply, the record keeping, the bookkeeping, the accounting, paying the mortgages, the property tax bills, the repair bills, there's quite a bit of effort there. In my mind, if I can increase my cash flow and lessen my day-to-day responsibilities, for me investing in apartment syndications is a win-win. I've started the process and every little rental house that I sell, I feel a little lighter. Every passive investment I make, I feel encouraged and enjoy receiving those monthly checks.

[00:06:34] WS: Nice. Well, how did you start to learn about the syndication business? I think a lot of people when they start to learn about that, or maybe they've been in single-family a long time, it can seem overwhelming when you think about a 200-unit property, or investing in something like that. How did you educate yourself coming from more residential?

[00:06:53] AC: That's a great question. If I can back up, early in my real estate career, I went through all the CCIM training. I love math, science. So, commercial real estate seemed to be a fit. At that point, I was just recently married, starting my family and I felt just more secure continuing in residential.

It's an interesting story. When COVID started to hit the radar in mid-March, a young investor buddy of mine, who's done a couple syndications, sent me a podcast from a well-known and West Coast syndicator dealing with COVID. I listened to it and I was just fascinated by it. Then I started searching out other podcasts. I found Whitney. Honestly, Whitney, I've probably listened

to 50 or 60 of your podcasts over the last couple months, during COVID where you got to be isolated. I'd get on my bike, hook up the podcast and listen as I pedal around.

A lot of my education has been through podcast, your shows and two or three others that are my go-to show. Then I started learning online. There's a wealth of information on the web. I've participated in a few summits, one boot camp, so I've really – when I do things, I do them big. I jumped in with both feet and just gobbled up that knowledge and it all appealed to me and the rest is history. I'm in this path. I feel good about it and I'm going to continue to do it.

[00:08:40] WS: What do you see? I mean, for these many years in residential and just in the real estate business, what do you see, Arn, that keeps most other investors, say in the single-family space, as opposed to moving to a larger multifamily, or commercial property?

[00:08:54] AC: Well, I would say it's a couple things. One, it takes a lot of capital to get into multifamily properties. I think one of the secrets of multifamily properties is the idea of economy of scale. Based on my research, the economies of scale really start to kick in when you're at maybe a 125, 150 units. Frankly, that's out of reach for most people. I think, the barrier to entry – and also, I think one key difference owning seven or eight single-family homes, you can operate it on a mom-and-pop basis almost.

Where, running a 150, 200-unit apartment building. It's really more a business. I think a lot of people are just not comfortable taking on that responsibility. They don't have the experience and knowledge. I would say it's the amount of capital needed to invest and it's the acumen and knowledge of how to run. I mean, it's basically a multi-million-dollar business and not all of us are cut out to do that.

[00:10:13] WS: Okay. What do you see for your business moving forward, Arn? You've been in real estate for a lot of years, but then just pushing forward in your growth or your goals, what do you see?

[00:10:25] AC: Good question. Appreciate it. I'm looking to help other investors make the same journey that I am doing. You know how investing it is. It's like a little club and all the investors in town know each other and their friends and they share stories and they rely on each other, sup-

port each other. As I've started this journey, I of course tell my investor friends about it and they're interested too.

I have a buddy, Leo, he's got four flip projects going now, but he's 45-years-old, he's in the middle of his career, he's got three kids. It's like, whoa, it's just getting to be too much. I'm going to ramp up my business, targeting small-scale individual investors, hope to educate them as to the advantages of syndication and help counsel them on their investment goals and strategies and help them find the right investment for them. One size doesn't fit all. Somebody at my age and situation, probably has different investment goals than somebody who's 35 and just starting the peak of their career.

I think, working with people who know the different types of assets, the value-add, the core plus, have some idea of the geography and the markets throughout this country, I think can be a benefit to folks. I'm going to be targeting people near the end of their working career, who are looking forward to retirement, whatever that means these days. Of course, retirement now is 30 years. It's not 20 years, or it's not 10 years. I think most people now understand you need to keep making an income during retirement to maintain your lifestyle.

You can't spend your principal, run out before it's time to go. I think there's a big need for educating people about how they can use real estate to provide income and support their lifestyle. After all, we work hard for 30, 40 years, try to do the right thing. In my mind, there's got to be a payoff and that could be giving back to the community, or doing the things you love and that's what I want to help people with.

[00:13:03] WS: If you could go back 40 years telling – knowing what you know now, what would you tell yourself, or what do you wish you had known?

[00:13:09] AC: I probably would have told myself to go bigger. I'm conservative by nature and I believe there's a progression and people can get hurt if they skip steps. The foundation is weak, but I listen to your show and others and I'm listening to these young kids who are 25. They just jumped in and boom, a 100-unit building and they're obviously doing great. I think my advice would be, maybe think a little bit bigger. There's always maybe some self-doubt.

I'd also say and I still believe, slow and steady wins the race and consistent effort over time, consistent effort at work, and/or investing, you're going to win and it's just a matter of putting that consistent effort in. People can figure out what their risk/reward tolerance is. I tend to be a little more conservative.

[00:14:11] WS: I mean, you've been in this business a long time. What's been the hardest part of your real estate career, or maybe specifically, just getting into syndication and understanding that business?

[00:14:23] AC: At least for me, when I know I'm on the right track, there's an energy that flows through you. When you know it's right and it feels right, there's that energy. I really feel that energy towards multifamily and syndication. I've probably made three or four offers, written three or four LOIs. I'm just trying to be patient and prudent, be smart about it. That's been difficult, but I want to do it right. If it takes me six months to a year to find the right property. The other thing is of course working with investors. I feel an even greater responsibility to be prudent.

Over the years here in Greenville, I've probably raised about 2 million dollars from my friends, family and investors for various projects. Most of them have done well, but there's a level of responsibility when you're investing other people's money that I take seriously.

[00:15:35] WS: Sure. Well, what's a way that you, say are prepared for a potential downturn, or you like to see other operators prepare for – when you're looking at opportunities?

[00:15:47] AC: I would say, all of the passive investments I've made to date and I have four; Charlotte, Columbia, Simpsonville, Boise, Idaho. They're good solid B, class A property. I think right at this particular time, I feel good about getting solid, newer properties with a tenant base that has a fairly good income, so that the building performance probably – and I know there's different thoughts. Some people say class C is more recession resistant. I don't know that I agree with that. My own personal comfort level was A and B.

One of the projects I invested in, the break-even point was 53% occupancy. For listeners who, I'm sure many of you understand what that is. Basically, what that says is 53% of the apartments could be rented and paying rent and there'd still be enough to meet the monthly obliga-

tions. If your break-even point is at 53% and typical occupancy is 93%, 94%, 95%, you're in a pretty safe position. That's my approach. I don't need to hit a homerun. I'm satisfied line drive base hits and that's how I approach investing.

[00:17:20] WS: What's the way you've recently improved your business that we could apply to our business?

[00:17:25] AC: I have hired a mentoring team and coach and I love them. I interviewed probably five or six. I'm a gut, instinctual type person. They also came highly recommended. They've been great, helping me get my business launched and I really enjoy working with them. One thing about the syndication business that I think is wonderful, people who theoretically you might think are competitors, most of the time they do want to help. They want to see you succeed too.

There's an abundance mindset, more experienced like folks to help less experienced folks get started. I've always liked teamwork and team spirit and building teams. It's something I'm good at. I think the syndication business fits that model nicely.

[00:18:27] WS: What's your best source for meeting new investors right now?

[00:18:31] AC: I would say, just posting on Facebook and LinkedIn. Also, just talking to people in the community and letting them know what I'm doing. As I roll out my new business, obviously, the strategy and tactics will be, I'll raise my game a level, but that's how I do it now. After 30, 40 years in the real estate business, I have a pretty good client base, most of whom are back in Silicon Valley. They're probably my number one investor base now. They love investing where things are affordable.

I had one client tell me, "I could buy a house here in Greenville for less than a down payment back in San Carlos," for example. I think most people understand real estate's pretty good. It's a fairly conservative investment, but I think a lot of people just don't have the time to learn the business and that's where syndication comes in, with professional's help run the show.

[00:19:45] WS: What's the number one thing that's contributed to your success?

[00:19:49] AC: I would say, associating myself with good people, people within character and integrity who are good at what they do, who have some knowledge, because it all rubs off. We all find our own level. Then the other part of it is there has to be a sense of humility. I've been in the business 40 years, so yes, I know quite a bit and I have a lot of experience and knowledge that I can share, but I can also recognize where I need help and I need further education.

I think if you approach it as a learning opportunity, I once heard somebody say, I may be paraphrasing it wrong. As long as you're learning, you're not growing old and I think that's a good approach.

[00:20:44] WS: How do you like to give back?

[00:20:46] AC: Love to give back after the sub-prime crisis. I spent several years working with Habitat for Humanity. Of course, there were massive foreclosures across the country. My role with Habitat for Humanity was to contact lenders who have foreclosed on property, see if they'd sell them to Habitat for Humanity, so they could then turn them over to a deserving owner, who would put in labor and so forth, in the house that was very rewarding when these people took possession of their homes. Most people were crying and it was great.

More recently, golf's been a lifelong passion of mine, so I volunteer with the first tee of upstate. Essentially, we golf to young children. We also use golf to teach life skills and core values. It's golf-related, but we're also talking about things, like respect, integrity, honesty and so forth. I had a lot of fun coaching my kids when they were little, and so returning to helping youth in a sports atmosphere I really enjoy.

[00:22:05] WS: Awesome, Arn. Well, I'm grateful for you giving back in that way and giving back in your time with us today as well, and just sharing many of your experiences over 40 years and how you're changing your strategy now and why and how you're helping others do the same. Tell the listeners how they can get in touch with you and learn more about you.

[00:22:23] AC: My cellphone is area code 650-575-6114. My website that will be coming out shortly would be investwithspark.com. Then you could also reach me at arn.cenedella@gmail.com. Also, Facebook and LinkedIn. Be glad to talk to you. Always love talking real estate.

[END OF INTERVIEW]

[00:22:48] 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.

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[OUTRO]

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