

EPISODE 695

[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 Matt Sutika. Thanks for being on the show, Matt.

[00:00:31] MS: Hey. Thank you very much for having me.

[00:00:33] WS: Matt is one of the leading experts in multifamily insurance and Chief Insurance Officer at Obie, an insurance and portfolio management platform for real estate investors; formerly one of State Farm's top performing agents and Founder and CEO of Skylight Insurance, acquired by Obie. Matt has since built a sizable practice in the multifamily space with Obie and strives to provide each investor with a streamlined, transparent and consultative insurance process.

Matt, thank you again for your time. You're definitely somebody that most of the listeners who are active operators – I mean, we got to have somebody like you on our team, right? You're a very important part of our team. Looking forward to this conversation and just hearing about your experience and help educate us about this is such an important piece of our business.

Welcome to the show, Matt. Give us a little more about what you're up to right now and maybe your specialty and let's jump in.

[00:01:23] MS: Yeah. I would love to. Yeah, so basically, our specialty of our practice is the multifamily space, all the way from single-family rentals all the way up to 1,000 plus unit apartments, all 50 states. Really, we take a very partnership type approach with our syndicators, or investors who are looking at deals all over the country. We do a lot of new purchase and really, we've just – there's a million things you can ensure and we've really went down to spending 99% of our time in this very specific space, so that way we could have the carriers and the expertise that everybody needs to not only get the best deals. Everyone wants the lower price, but get deals closed and make sure that the process from an insurance standpoint is very easy, if you will, working with us.

[00:02:08] WS: That's an interesting point you bring up there. You are specializing in multifamily. Like you said, there's a million different things you can insure and I was thinking about different types of insurance we have just on the personal side. I mean, there's so many different things, whether it's vehicles, home, life insurance. I mean, there's so many different things. Necessarily, the person that's providing my home insurance, or my life insurance, or whatever it may be, isn't really the person I want to provide my multifamily insurance on these 30-50 million-dollar projects. Now I really want that person to be specialized, so I just thought that's an interesting point that you bring up.

Let's jump into that a little bit. Can you elaborate a little more on maybe some – you don't have to say who the operators are, but just the types of operators that you typically work with, types of projects, things like that.

[00:02:54] MS: Yeah, absolutely. To go on your point, you're spot on with the whole general versus specific. You wouldn't go to general counsel to do a huge litigation suit. It's that same type of feel. There's a lawyer for everything. There's an insurance broker for everything. You don't want to try to do everything, or you can get yourself where you still have the expertise, but going into the type of operator or syndicator that I work with is I work with a lot of people who want to be fast-moving.

I would say, the 2020 version of a syndicator who's out, even in these times that we're going through right now and still looking at deals and just constantly wanting to underwrite deals and even if they're not – they're hitting on one of 10, they're being aggressive. We fit that mold as

well that we are willing to give indications and give quotes, even if your pre-LOI standpoint, or you're not even on the deal, which a lot of agents don't want to do, because it could be a waste of time.

We like working with the syndicators and the operators and the investors that are just going for it. At the end of the day, those are the ones that are actually getting five, six, seven deals closed a year. We're happy to quote out 50 of them to help them get their seven that they're there. We want to be with the person who wants to text. More importantly, we want to work with operators and syndicators that want us to be a partner on the deal, that when they introduce us in that e-mail that goes out with 50 people's name on it and they say, "Hey, we have Obie Insurance, and Matt, he's our partner on this deal. He helps us with insurance." That's the type of person we're looking for.

Instead of just, where a lot of people get put in the boat, because I think that's how they present themselves of just that's the insurance guy. He just will provide a quote. The people I work with are texting me as a partner and that's really important to us. I think it allows us to do a better job for those individuals as well.

[00:04:46] WS: Nice. Yeah, I like how you talk about these people are moving fast. I feel like that's us as well, and so we are. We're like, we want to know these things as quick as possible, because we're trying to be ahead of the next guy and be as professional as possible, be as accurate as possible. That's why we have to have that insurance line on our underwriting is so important and we don't need it to be off by a 100,000. It needs to be fairly accurate. We have somebody like you that we can trust too, that understands that, and how important that number is and the accuracy of it.

Let's jump into that a little bit. I think the speed of that is important as you know, and just that you've taken that into consideration says a lot about you and your team and how important it is, that you understand the importance of that to that operator. Let's dive into that as far as what helps that to be as accurate as possible and as speedy as possible, or as quick as we can get those numbers. What helps you and maybe you can describe an operator that knows exactly what to get to you to get that quote as soon as possible and what those things should be, so we can be prepared for that.

[00:05:47] MS: Yeah, that's a great question. A couple parts to that; first, we love an operator who wants to keep it simple and we want to keep it simple for them. Text me an OM, e-mail me an OM and we will go from there. I don't need a bunch of forms. I don't need to bombard you with a million questions. Send me the T-12 if you have it. From an OM, we can be dangerous and get it going.

The next question, as far as the line items, I think because we can somewhat prove the cost of insurance on that location even before an LOI, or at least before your best and final and different things like that, I think it helps set the tone for that OM. If that OM says insurance is a 100,000 currently and I come back at 170 and I'm like, "Hey, this is actually where it should be," then I think that operator, syndicator can say, "Oh, wait. Well, how much of the rest of this OM is maybe off by that much too?"

Or if I come back and I'm at 90 or a 100, then they might feel more comfortable with that OM in general. It's not just the insurance line item that I'm worried about helping that syndicator, I'm trying to set the tone for that whole OM, that whole financials to give them an idea, because when they're getting that from the broker or whoever is sending it over to them, they might not have the due diligence, or the time to do the diligence to see if those numbers are really accurate. That's my part that I take pride in is helping them solidify those numbers, so that they can be more aggressive on their bid, or where they need to be a little bit more reserved on their bids. That's where we fit in and I think why a lot of times when someone's looking to deal we're the first ones they go to, because I'm one of the fastest to be able to give them an indication on a real number for that project compared to everything else that they'll eventually get, but that could be a due diligence.

[00:07:34] WS: Nice. What are some specifics that may be different though? I know you're going to learn so much from that OM, but what about – Yeah, I mean, I know, okay, let's say it's property on the coast, or a property in an earthquake area. There's different things like that that are going to be so properly or location specific. Are there things like that that's going to help you to speed that up if we just listed those out quickly when we sent you that OM and say, "Hey, Matt. I just want to bring this to your attention. This property is located here or something. We're worried about here, or this is what's happened." Anything like that?

[00:08:06] MS: Yeah, absolutely. A lot of times, the syndicator may not know, but I'll flip this and tell you, I like the question though, is that yeah, if you know that it's coastal, or you know that maybe it's not in the best area, if you will, or you do know that maybe it's potentially in a flood zone, yeah, absolutely we'd love to know that.

With that being said, those are a lot of the things, and I should have brought this up in the last question, that we're looking into that help also determine whether you should want it, because we're running flood every single time to see if that is something that's there. When I send it out to my underwriters, I'm getting a lot of feedback on crime, the area, rents, because those underwriters are doing such crazy research into the area before they'll give me a rate.

A lot of times, I can bring up facts that they might not know. Like, "Hey, did you know that this happened? Or hey, did you know that two of these buildings burnt down two years ago and they're rebuilt now? Did you know that?" Things like that. We concentrate on more of yeah, we love if you can share anything, but really, I feel that's our job is to investigate and find those things for the syndicator of did you know this is a flood zone? Did you know it had a shooting? Did you know it had a fire? Did you know this is Beverly Hills? This is amazing. There hasn't been a robbery here in 50 years. We like to try to do that.

Once again, I'm trying to get that syndicator in the best position to win that deal, because at the end of the day if my syndicators are winning the deals, then I'm winning deals. There's no insurance if they don't win the deal. We try to do a lot of that to help them be once again, I want them to be able to do the most aggressive bid they can and win the deal.

[00:09:39] WS: How much of that information is then shared with the operator? Because that is some great information that you're able to just pull very quickly. How much of that is then shared with the operator?

[00:09:49] MS: I share everything. For me, transparency is key. Because if they got to walk away from the deal, they got to walk away from the deal. If I ever knew something and I didn't share it, or didn't get shared and then they got locked into that deal. At the end of the day, one deal isn't that important to me. 50 deals are. My relationship with that person is key. I would

rather say, "Hey Joe, or hey Tim, walk away from this. This is not pretty. Or at least know this and if you're still okay with it, because the numbers work out, fine."

Yeah, because at the end of the day, I know a good syndicator. If that deal isn't there, they're already looking at three more down the road, or in another state. Yeah, transparency is key, I think. Like I said, I feel like I'm on that deal anyways. If it's not a good deal for me on an insurance standpoint, or not a good deal that I would invest in at one of their investors, I definitely share all that knowledge.

[00:10:41] WS: Right now, with everything that's changing in our country and in markets and things like that, just everything that's happening, how has that affected the insurance side, or things that maybe we're having to account for now that we didn't have to on just as far as insurance is concerned, say six or eight months ago?

[00:10:57] MS: Yeah. Things that are coming up a lot is I'm seeing people be a little bit less aggressive with bids or holding off on bids, due to the whole rent situation. I'm seeing a lot of people wanting to see how a couple months' worth of tenants paying their rent is holding up. I'm seeing a lot of sellers backing out, where they were ready to sell it and then all of a sudden, they see on CNBC that jobless claims are up 5% than they should have this week and then they're, "Oh, I don't want to sell anymore."

Then I've seen some things from a banking standpoint that I don't 100% understand, but the gist of it is that I'm seeing banks offering different types of terms, or they're not as lenient on certain things, or there's maybe more down payment or things like that. Those are a lot of things I'm seeing. From an insurance standpoint, I'm not seeing crazy rate increases. I mean, overall, the market has taken a little bit of an increase. The last three years have been what I call crazy good rates. Now I think we're getting a little bit more normal.

I mean, it's like just the stock market, or anything else. Everything has to rebalance. Everything has to have its pullbacks and it's green and red days. I mean, that's just life. Really, outside of a few states; Texas, Oklahoma, Florida still quotes are pretty fast, where we can get them in a few days. The Texas, Florida, Oklahomas are just a little bit slower right now. Also, we're in hurricane season as we're filming this, so that always slows things up.

Overall, I'm not seeing a problem on the insurance side getting things done. I'm actually seeing a little bit more where just deals aren't going through like butter like they were. You go back to January, February, I mean, if someone sent me an OM, we were closing 80% of those. Now, it's 30%, maybe 20%. I think that'll bounce back just – it's the world we're in right now. Everything will hopefully bounce back. Cheesecake Factory hopefully will bounce back. We're all waiting for vaccines and whatever, but I'm still seeing a lot of people still pushing.

[00:12:55] WS: Speaking to the new syndicator, or new operator, somebody that's just coming into this business, maybe they've had a few rentals in the past for single-family homes, same things like that, but now they're looking – they are putting in LOIs, or potential LOIs on larger properties now. They're growing their syndication business. What are just some tips on the insurance standpoint that you see when you're speaking to new operators, things that they miss, or things that they just don't know, they don't know yet?

[00:13:20] MS: Yeah. I think that the two biggest things is get with me yesterday. The faster I can get the deal and work on it, the more I can be aggressive on it. I think new syndicators will see that that if I get it quicker and we get a rate and then they actually win the deal, then I have 60 days, where I can continue to beat up that rate all the way till about two weeks before closing, until I have to get that final invoice basically in. I think that's key.

Then I think the other biggest thing is for a new syndicator and really, all syndicators to a point, is what the insurance cost on the OM, or even the T-12, we can use that as an indication, but to expect it always to hit that, or to have that knowledge, I think that's probably the number one conversation I have is the OM, or the T-12 will say 78,000, I'll come in at 89. The conversation I have on a daily basis is if you really think it's 74, ask the seller for their policies, because we can need to see it.

Because various things that I think a new syndicator and just in general is that when we're going on these deals, we're going to have Fannie, Freddie, Arbor, Bancorp type of requirements that are full bells and whistles and umbrellas and all this stuff. That current owner could be sitting on that property for 10 years, they could have GL-only for all I know. They might not even have a loan on it. They could have it as part of a large portfolio.

We use that as an indication and we try to get close or beat it, but really understanding that unless we actually see that policy, or we can prove that that's actually what they're paying, we use it as an indication and not the end-all be-all number. That's what we're trying to prove for the syndicators anyways. Otherwise, you can just use the T-12 and move on, right?

[00:15:06] WS: Right. Yeah, and that's some great advice. Ask the seller for the insurance policy and all they can do is say no. Then you're really going to question that number.

[00:15:16] MS: Here's the best thing about asking for those insurance policies; at the end of the day, the seller wants to close too. I always say this and sometimes people look at me funny, or right now where everything's Zoom and phone, so I know they're looking at me funny just through the phone, is that if the seller has an awesome policy, most likely I have that carrier. If that's the best rate out there and they get me those policies, there's not a carrier in the world most likely that I can't convince to let me to BOR and flip that over to my new buyer. They don't want to lose the business.

A 100K account, 200K account. Why would they want to? They already like the risk. That's the other thing. I'm like, get me that policy, because maybe I can beat that. If we can't, I bet I can get that for you, and that's easy. It's already there. They already know it. You probably can even skip the inspection, because it's already probably been done recently.

[00:16:05] WS: Interesting. If we can get that policy and then you can figure out who that provider is and connect with them and skip a lot of the process.

[00:16:14] MS: I had one just the other day. It was already with State Auto, which is one of my bigger carriers, and called my rep up and said, "Hey, you already have this." They looked it up and said, "Yeah." They said, "Do you like it?" Yeah, of course. I said, "My [inaudible 00:16:26] is buying this in September. Can you re-quote it? I'll get you a BOR and we like that price. We're good with it." They were like, "Absolutely." It just makes sense, what carrier – It's not like they're in love with the owner. They're in love with the property and the risk. Whether the LLC is Main Street LLC, or John Smith LLC, they just want to keep the business. It's really actually quite the tool that a lot of people forget about.

[00:16:53] WS: What are a couple mistakes that you see new operators, or even experienced operators making when getting the proper insurance?

[00:17:00] MS: Getting the proper insurance, I think the biggest mistake I see is syndicators, or whoever doing the blanket approach, where they haven't found their person yet, or they're just trying – all they care about is rate, rate, rate, and they go out to 17 different brokers and blanket the market. To me, that is initially, you're probably thinking, I'll tell you like, "Oh, that's bad for Matt, because he has competition."

It's really bad for that syndicator, because we all have carriers that we have really strong relationship with and there's a thing called blocking the market. First end blocks the market. If all a sudden, they send it out to five people and that first broker goes and just blankets the market and then they come to me, I can't do anything. I might be able to do things better or whatever. That's a mistake I see a lot on new people, or maybe the first time I work with them, I find out two weeks later, also and I text them and like, "Did you go to everybody in the United States who sells insurance? Because we're blocked everywhere."

They're like, "Oh, yeah. I didn't even think about it. I just went out." I think that's the biggest mistake is that at the end of the day, if you work with me, or there's other brokers out there, right? They're taking around. I'm not the only one that's in this space, is when you have your person, they're going to have 99% of the carriers. There's not a billion carriers in this space. You only need one really good broker who will go out to all the markets for you and take care of it and get a good job done. That's the biggest mistake I'm seeing.

Then other than that, I think just as we alluded to, just understanding the numbers and understanding that there might be a difference in the policy that you need for a new purchase with all the lender requirements compared to what the current owner who could own it for 20 years might have.

[00:18:43] WS: Matt, what's a way that you've recently improved your business that we could apply to our business?

[00:18:49] MS: I think the number one thing that we just improved is recently, as you mentioned, my company, Skylight, was purchased by Obie and we moved over. They have now a full asset management platform. I think the biggest thing for that is we're trying to replace the Dropbox, the dreaded I get an e-mail, here's the Dropbox with all these files and it's messy. Obie has built a better mousetrap for that at no cost for our clients, where people one, can get onto the platform and have a storage facility, but then also as we mentioned, the biggest thing that I wanted to do was the transparency piece.

Now going forward, we'll be able to allow people to drop their OM into that system and the entire length of the journey, they'll be able to see what carriers have gone out to instant rates, things like that. That's really what we've been focusing on is providing better tools and a better transparency and atmosphere for our syndicator, because I want to take away even their need to have to text me every couple days like, "Hey, what do you got? Or where are we at? Or who have you gone out to?"

I want them to be able to just see it and have it real real-time. Those are the two things that we've been working on that helped our business of course, that makes us better, but I think that will help the people we work with as well.

[00:20:11] WS: What's the number one thing that's contributed to your success?

[00:20:14] MS: It sounds dumb, but I think just being aggressive and working hard, and overall, just taking pride in the fact that I'm a partner and not just an insurance broker.

[00:20:24] WS: How do you like to give back?

[00:20:27] MS: How I like to give back is things like this, introductions within the space. I'm always the last one to know, if you will, so it's hard for me to help people get new business. I try to within the space, do a good job of connecting people, so that they can get better business themselves, podcasts, intros on social media, blasting things out. I try to help people build their brand and build who they are and that's where I try to spend most of my time.

[00:20:53] WS: Nice. Well, Matt, grateful for your time today. I think just even in the short time we have together, you brought up many great points of just working with somebody like yourself and just the importance of that insurance broker being part of the team. I know and we really like that, that our insurance broker is part of the team, because we are texting them and talking about different things and we're working together on things.

I think it's a very, just important piece to think about, but also just asking the seller for the policy, how you brought that up and numerous things that a new operator needs to know when they're going to work with somebody like yourself. Just grateful for your time. I hope the listeners will reach out to you, but tell them how they can get in touch with you and learn more about you.

[00:21:31] MS: Yeah, very simple. You can go to obierisk.com. You can text me, which I prefer, 312-877-2692. For those grabbing a pen, 312-877-2692. Then of course, e-mail is great and it's matthew@obierisk.com. I'm on social media and everything like that. I always say, as long as you're calling me or finding me in some facet, I'm fine with it. However, you want to Facebook message me, Instagram me, whatever, happy to help.

[END OF INTERVIEW]

[00:22:08] 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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