

EPISODE 711

[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 Charles Carillo, thanks for being on the show, Charles.

[0:00:32.1] CC: Thanks for having me, Whitney.

[0:00:34.4] WS: Charles is a managing partner of Harborside Partners, a Florida based real estate syndication firm with over 250 doors. Charles also hosts the Global Investors Podcast where he interviews professionals about investing in the US real estate.

Charles, thank you so much for being on the show, welcome and you know, Charles and I have known each other for a year or two now and been on each other's podcasts and met at maybe some events, I can't remember now which events and stuff.

But it's been neat to see your progress and looking forward to hearing more about your success and where you've come over the last few years. But give the listeners a little more about maybe your background and real estate and let's dive in to some things you've learned and help them as well.

[0:01:12.5] CC: I started investing in real estate in 2006 in multifamily in 2009. I purchased my first commercial property which was a small mixed-use. I still own those properties and I self-

manage them for six years. I moved to Florida in 2012 so I was forced to put them in professional management which was really the greatest thing that happened because I was very active with the properties and allows me to kind of stand back and let the properties operate and really get the passive portion or real estate to work for me, which a lot of smaller mom and pop landlords don't ever get. Then now, down in Florida, we're working on doing syndications and small joint ventures.

[0:01:50.8] WS: Nice. You purchased those properties, commercial property and you self-managed for six years and it's interesting, a transition you talk about because I feel like a lot of people can get stuck in that mode, right? I'm going to do it myself; I'll do it better, I can't trust anyone else to do these things or I just don't want the expense either, right? You know, I can save that money if I do it all myself.

Can you just speak that, while we're on that, can you just speak to just that mindset shift a little bit and how that maybe changed your mindset? After being forced to hire somebody, how you think differently now about that?

[0:02:23.6] CC: I think it was something when I look back on and I was crazy at everything I was doing and it's really – I mean, it was down to – I remember when I was self-managing at the beginning, I was doing everything. Mowing lawns, snow removal, it was in the north east so that's a normal thing all through the winter and I was unclogging toilets, I was getting calls, I was showing up Christmas Eve. I remember one time I showed up on Christmas eve to unclog the toilet.

It was something – if those type of things and then you start thinking and you start realizing that the lawnmower, easiest thing, it doesn't matter, it can be mowed on Monday or Wednesday, no one's going to trip and fall in the grass like this easily can go get outsourced, right?

And then it was small things with making relationships with different handymen, even self-managing but just having the access to the people where I'm just passing calls, much more. I mean, I know a lot of landlords that do that now, they'll never go out to the properties but will take the calls and they haven't outsourced that portion.

It's definitely a learning experience and I wouldn't trade it because now, when I'm dealing with a property manager, I know exactly what's happening and what's going on because I've been right where they are and right where maybe that handyman is or one of their workers that's at the property or collecting rent. And how you have to – with C-class real estate, it's not always what it says in the lease and you have to work with tenants and stuff like that, especially where we are now in time and it's something that is priceless when you look back on it.

But then, I could have done it a lot better which I guess everybody would say about their experience in anything.

[0:03:51.6] WS: Sure. There's a process, right? To learning all these things like some of us it don't come easy as others but we have to learn the hard way. I know I've had to do that on numerous occasions. But on that note, let's dive in there a little bit, beginning of your real estate career to now, 2009 you bought that first property and now you're doing a lot bigger things and growing your business and maybe we could talk about some of the things you would have done differently now that you have been in numerous years and experienced some success and know a lot more now than you did 10 years ago.

[0:04:23.2] CC: When I started out, it wasn't my 100% idea of doing it. I grew up in real estate and my dad was a multifamily investor and he was really pushing after I got college, "Buy a multifamily place, buy them," and this would before house hacking was really a thing and that's exactly what we did but that was my first investment.

I certainly didn't really know what I was doing, it worked out pretty good for buying in 06, bought again in 08 and that was better and bought again at the end of 09 which was a homerun. That's another thing too about, I think like timing the market is not really a thing you can do in real estate. I think you have to consistently be reviewing the markets that you're interested in because there's not triggers or indicators that are really blatant that this is what I should buy, this is what bear market is starting or whatever it might be, it's really just knowing the markets that you're investing in and that was something that I would have done more of where I consistently.

Because a lot of real estate investors that were buying in 08/09, when 2011, 12, 13, 14 and on came around, this is way overpriced, this is overpriced and look at where we are now. I mean,

it's 2020 and I bought properties I thought was top of the market in 2018 that we're refinancing now and pulling out a lot of our money. Just knowing that and being a little bit more strategic on what my goals were I think is another lesson I learned and that's really – I wish I had sat down when I started investing real estate and really sketched out this is where we want to be in 15 years or 10 years and this is kind of my plan and then get that to an actionable weekly and daily task that could get me there.

[0:05:54.4] WS: Nice. Help us walk through that a little bit or have you done that now? If we think out 10 to 15 years. This is where we want to be, I think it's a great exercise, it will probably look a lot different once you get there but without a plan, where are you going to go? You don't have anything to bounce it on or to see if you're even making any progress, how did you do that now if you think out 10 or 15 years and really reverse engineering, right? Thinking, "Okay, down to a daily basis." What do we have to accomplish, where are some steps you did to make that happen?

[0:06:23.5] CC: I think if you were on a deal sourcing side of the syndication, you're going to be saying, how many brokers do I talk to today, how many brokers do I follow up with today, how many deals am I underwriting today? Really checked that off that box off every day and saying that I've moved forward and doing those little steps throughout the process are going to get you closer to your end goal if you're on the money raising side. Maybe it's having so many investor calls per day.

Maybe it's reaching out to people in your network per day and not like you know, 150 but maybe I reach out to two people a day, right? Maybe I have coffee twice a week or maybe I get on a phone call or a zoom call, go up to two meetups a week or get on two virtual meetups a week and really just get it, it's amazing once you get started and I imagine in any business, but real estate, When people see you doing things, right?

Being active, even if you haven't closed, I could be at a conference and I post them in a conference and people will just message you out and say hey, what are you doing, let's get on the call. People that are – have more units than I have. They see something that's proactive, they see someone that they want to partner with that's rising and I think that's for, you start just people like seeing people that are active and working with them.

Those are the steps that I would take to figure out where I have to be in that one, two years down the road.

[0:07:38.9] WS: Yeah, I know there's a listener that's thinking, "Wait a minute Charles, there's no way I can do all that, right? I'm only one person, how did you grow into that and I think an initial step is it's great to list all those things out like you're just talking about how to even know that they're getting done or not."

How did you begin to grow into all those things, accomplish all those things? I know you've also hired many virtual assistants and one done different things like that. Was it through virtual assistants or how did you do that?

[0:08:04.9] CC: Yeah, I really just get the low-level tasks off my plate with virtual assistants and that's very easy and anybody can do that. If you have websites, a lot of people in this business will have a personal and a business website, either you can get that stuff off your plate, have someone manage it, have someone help you with content, placed a content, post content on all these different platforms, we now need to be relevant these days. That's something easy that can be done everywhere.

And I think the conversations, you know, you're not going to have or I wouldn't have, if a virtual assistant reached out to me to invest with someone, I probably wouldn't return the call or email. It's something that has to be done by an operator –Telling me exactly and that's where you should be spending your tasks, spending your time on those tasks. Those are really your high level, thousand dollar plus an hour task that you're working on that can't be really replicated by anybody else and then figure out, say, "If I'm on a deal raising side, right? The capital raising side of the deals. I need so many investors in my database and I need to say that this many percent of investors won't invest in deals I bring. This is my five-year goal," and then break that down and find out where I need to be and then you can kind of gauge where you are.

And the other thing too is it's the effect of the snowball effect where you are – people start seeing you at meetups and even if you haven't stood up and said I have like thousands of units, people see that and people that are more experienced from you will – Are more likely to work

with you if they keep on seeing you, I have people that have never done syndications before that reach out to me that I talk to, probably a bi-weekly basis. Usually, most people just fizzle out. The people that have – you can probably see this too Whitney, people ask you I want to do syndication and then you never hear from them again or want to do something that you'll never hear from again.

But the person that keeps on contact with you, that's actually making progress on what they're doing, you say, "You know what? I do have a deal that might work for you or I do have a task that I could use help with and that would be great."

[0:09:59.6] WS: Nice, I like how you separated the low-level tasks versus the thousand dollar an hour tasks. I think it's important that you do separate those, right? You know what they are and like you mentioned in the beginning, you listed out those task or figured out when you were reverse engineering, those goals kind of starts there and you're building into okay, now what's important for me to do and still get these other things, have to get done but it's like mowing the yard like you're talking about.

I don't have to be the one cutting the grass but it does have to get done. Now, that's awesome. Do you have a way that you track those tasks or that you have some kind of work flow or task management or any kind of – I've heard of people using like Smartsheet or different things like that to track these processes and procedures?

[0:10:43.3] CC: Yeah, software, I use Slack with my team and I have virtual assistants on them as well. I personally use Trello. Trello is great for keeping my tasks organized. I do a lot of time blocking with Google calendar which is great because I can block time that I need for all that activities, especially my high-level ones I do is early in the morning as possible. When I'm passing tasks off, I will use Asana or I will use Trello for doing that depending on how difficult they are. But really, people I think get really frustrated when they hire a virtual assistant and it doesn't work out or they're not trained and they don't want to put the time in.

I was reading somewhere before that for every hour you want to outsource, you got to really spend 30 hours to outsource that task correctly. That might be a little exaggeration but it's a 10x, right? If that's what you're focusing on then you know, you spend an hour on the task for a few

weeks, you make sure the person does it flawlessly and now, you can really move on to your higher ticket right, tasks that you handle yourself, that can't be replicated by many people, no one else in the organization.

[0:11:46.3] WS: Kind of like teaching a man to fish or giving him a fish, right? You're teaching them how to do that tasks, you don't have to hold their hand later. I love hearing about just different software, different things people use like that. There's so many, choosing something like that and getting started is key as well.

How have you seen that change now down the road, I mean, now that you've had more success, your team's grown. Maybe some keys or success tips that you have in training that employee for future growth?

[0:12:15.2] CC: Whenever I'm working with anybody, if they're in a different time zone, you'll find some of your tasks are done by people on the opposite side of the world. When you're doing that, I really spell it out in the sense of maybe doing like a desktop video, I'll do, if they're editing something for images or something like this or a website, I do everything really spell it out and paint, send it over to them and have them finish it, give them an idea.

It really – a lot of people are very visual and that's something that you can work with, you just have to know who you're working with. But don't get frustrated, start when you're hiring your virtual assistant, your first one. Let them know it's going to start with just a couple of hours and a couple of tasks a week. And then, you're not overwhelmed and then start listing out what you're doing every day.

So, in list that we don't like that's the main. Those are easy tasks to work on because you don't want to do them and make a list of what you can outsource what you don't want to do, what is very time consuming and then just speaking with your assistant and seeing exactly what their capabilities are, what they can work on, what they've done before and then just add on tasks as you go. And months down the road, you will have someone that's going to be taking a lot of hours off of your plate that you can now spend on like you are seeing the high-ticket tasks.

[0:13:30.2] WS: What are some ways that you have been able to scale? You know, what's helped you to scale and how do you see that moving forward?

[0:13:36.1] CC: I think knowing exactly what your specialty is and then when you are partnering with your groups or you are partnering with other people within your organization and you tell them that I'm focusing on this, it is going to be something, you know this is what I'm mastering. It is important to know about everything else. So, someone sends me over a T-12 of underwriting, I can review it. I know what to look out for. I can take out numbers and put in numbers that I think. And kind of get an idea that's maybe fits more with my thinking for that project but I am not going to be one that's going to sit there and put in the numbers. So, I am not going to do underwriting, right? That is not going to be something I do.

So, it is really figuring out what's your special sauce that you can add to your to a syndication, or to a group and then making sure that everybody else complements it. Maybe if one person doesn't like you in the group as well but you have other people that round out what you are not good at or what you don't like doing. So, I think that is a huge factor in scaling.

[0:14:31.6] WS: When did you figure that out? You know I know a lot of people that when we first get started, it's liked what we talked about earlier almost is we are going to do everything. That is going to keep you from scaling, right? It is going to keep you small, long-term. When did you figure that out and say, "Okay, this is what I really like to do and I am going to find somebody else that's much better at underwriting than I am going to be?"

[0:14:54.6] CC: I found that out when I was starting to review deals and larger deals and finding out that broker relationships are really a full-time job and reviewing the deals that they send you and giving them quick within 24 feedback on those deals even if it is not full underwriting and then performing full underwriting on deals that you see that kind of pass your preliminary guidelines, right? And I was spending so much time doing this that I was like, "You know, I've got to do this and I've got to raise money and I've got to make sure and I've got to do all of these things."

And I said, you know what? It is easier to partner with people that might be have this all set, right? They've spent the years, they've built relationships with these brokers in these areas that

I want to target. They are focusing on properties that are similar to what I'm looking at. They have a similar game plan with what I am looking for properties with the similar hold time. You know we are on the same page, now let me focus on just doing this task or these couple tasks really well.

And then I can bring the most value because someone that's an accountant and you are not a good underwriter, they are just going to be redoing your work. They are going to be questioning you at any point. I mean it is not going to be helping anyone. You are just wasting everybody's time.

[0:16:04.1] WS: How about finding those partners? Any tips on finding them and then ensuring that that's somebody you actually want to partner with?

[0:16:12.1] CC: It is a lot of going to meet-ups. It is a lot of networking that's what I'm saying. So now it is a little bit more difficult but you know the first two or three years, I was involved with syndications it was tons of networking, I mean at events, Whitney, I saw you at all of them. You know every other month and you are meeting with new people, you are talking to people. A lot of people.

It is a very small community in commercial real estate especially the multifamily portion of it and you are going to run into people that you spoke to on Facebook or on different social and somebody that emailed you or that called with and you're putting face to face and you're going to find other operators and you ask them what they need and they'll say, "You know what? We have A and B, we just need C" and you say, "Great, I'm C and maybe let's have a call and do it that way."

And there's a lot of people that are doing the same thing you're doing and they just have different specialties. So, it is really just getting out and talking to people and networking and that's a little different now. It is probably even easier in the sense that you can probably attend more of these, all of these virtual events that we are all getting invited to but it is really just getting out there, finding people that are similar to what you are looking for, markets, everything else and kind of just filling in where there is a void in their group.

[0:17:27.2] WS: I think it is a big mindset shift there too and I've heard it so many times. I know you have this business is such a team sport and not learning that just time and time again, it is. It is all about your network and it is hard to syndicate a deal by yourself even if you understand the business extremely well, there is so many moving pieces.

Charles, what's been the hardest part of this syndication journey for you or process?

[0:17:49.7] CC: I think the hardest part is getting started for sure and it is really figuring out, finding the partners, finding partners that are a little bit more experienced than you and providing them value and then also once you have experience, working with people. I like to work with people that are as experienced or maybe more experienced than I am and bringing people along that probably don't have that experience and having them assist you on the way while they're building their experience.

And everybody helps everybody but I think like you said the big mind shift where you have to change that mindset and make sure that you are really focusing on building the business and there is going to be a lot more people. It takes a lot more people to go, to take down a 400-unit property than a four unit and you're just going to be taking down those small properties if you don't want to partner with anyone. So, it takes a lot, it's not going to be something you do right away.

It is something that you'll hear over and over and over again and then you go, "You know what? I've got to do that."

[0:18:49.6] WS: For sure. How do you prepare for a downturn or how were you prepared for this downturn?

[0:18:55.4] CC: I would say that when we went through '08, we just kept the units rented and we weren't doing aggressive value-adds. We were just making sure that tenants were in there, properties were maintained in ready sell condition. We weren't raising rents too high. We are doing inflation type and increases and just making sure we were keeping good tenants, keeping the turnover as minimal as possible.

So that is something that I think you are going to see where we are now and it's already happened where a lot of value-add has paused or has been minimized or pushed off and holds aren't five, they used to be three years and they went five. Now they are going to be seven or 10, which isn't a problem. Just make sure that your investors are onboard with that and that is going to be the safest way where you have the longer-term debt. You are going to have reserves, which are now really required by L lenders so that's good. I think that's the best way, reserves and long-term debt.

[0:19:48.3] WS: What's a way that you have recently improved your business that we could apply to ours?

[0:19:52.5] CC: I would say that working with different virtual assistants for different tasks. It was something where putting everything and really incorporating technology into it where you can – everything is set on schedules so I can put something on the calendar. They see it, they do it and there's not the back and forth and I wake up in the morning let's say or I finish a call and something's done and that's the best way and that's when you feel the most fulfilled when you've been doing something.

Like being on your podcast and then I get off and someone has posted something or done something that's going to help the business that's something that I didn't have to do. So, incorporating technology with what you're doing.

[0:20:30.4] WS: Is there a specific piece of technology that we haven't talked about already that you use for some of that?

[0:20:35.7] CC: No. I would just make sure that it's something that your virtual assistant is comfortable and already uses that way if they're on it all the time and they're working with other people, they'll see the notifications. It is also making sure that when you are scheduling different tasks, they are putting you ahead of other people depending on when stuff is due and you want to make sure that when I have virtual assistants, I keep them as remote employees.

I even bonus someone when we close on properties because we're all on it together and that's something that they don't get from many other clients and it doesn't have to be huge but it is

something that shows that hey, the whole goal is us to buy property and manage property and if you help me do that, you are going to go above and beyond if you know this is what's going to happen, right? So.

[0:21:19.4] WS: Yeah, I love that. I try to do the same thing. What's your best source for meeting new investors right now?

[0:21:25.8] CC: We've been doing a lot of going through different groups that we are a part of, maybe if it is on social media and reaching out to different people that we have spoken to before. The other thing too with investors, which is very interesting because I used to when I put people into my CRM, you say this person wants to be a general partner, right? I am not going to send them any new deals that I have, right? I sent out a deal to someone that was a general partner that does their own deals and they invested passively on my deals.

So now, from now on whenever I speak to anybody even if they want to be a general partner, you go, "Hey, do you want to see deals that we see," because I want to see what other people are up to. I want to be investing in more deals than just my own. So, it is something that always ask someone, right? Whenever you're talking to someone in real estate, "Are you interested?" you know throw them on your deal list, have it separate from your general.

So, you're not getting your newsletter. If somebody doesn't want to get your newsletter if they are a busy professional, they might just want to see the deals every few times a year, right? So that's another thing too, it is just making sure that when you speak to them because anybody can be an investor. So really go through their database and ask them every time you speak to them.

[0:22:27.2] WS: What's the number one thing that's contributed to your success?

[0:22:30.5] CC: Having a strategic plan and sticking to it and really avoiding the shiny object mentality where you hear something different and you go, "Wow, I can make some good money doing that and I'll do that," and you are not going to be successful. I mean you can think of the people that are most successful they have built one business, right? Or maybe two and maybe they have built that second one after the first one was very successful.

So it is something if you are looking to other successful people on how they focused and the amount, the more successful you are, the more you're like a magnet, the more opportunities are going to attract to you and if they are passive that's one thing but if they are active investments and someone wants a lot of time then just be very careful with your time to whoever you give it to because you can't get it back.

[0:23:13.5] WS: Time is so valuable, right? The most valuable commodity. How do you like to give back?

[0:23:18.4] CC: I do a couple of different ways. I do monthly giving. I run it on my personal website where different charities for different times of years or different – if something happens and an event happens, I like to give that way. I also like giving back in different ways local with time, which is a little different now than when it used to be with a lot of places closed down but in a normal pre and post COVID, I will give back into doing more volunteering on my local level.

[0:23:44.0] WS: Nice. Charles, so grateful for your time. It's been neat to see your progress and your syndication business growing and what you have accomplished and you just laying out some of those high ticket things that you have done to make that happen through this process and some of the things I know the listener and myself can implement today to move the needle forward and really think bigger, right? Think further ahead down the road and putting those tasks in place and even thinking of hiring people. So grateful for your time. Tell the listeners how they can get in touch with you and learn more about you?

[0:24:15.3] CC: So what I do that's anybody who's interested in investing in real estate, you can come to my website at charlescarilo.com or you can go and set up a 30 minute call with me, which is on my website, charlescarilo.com or just go to schedulecharles.com, it goes right to my scheduling page and if you want to be active or passive, let's talk about how we can work together on certain deals or future deals.

[0:24:34.6] WS: Awesome, that's a wrap Charles. Thank you so much.

[0:24:37.3] CC: Thank you, Whitney, have a great day.

[END OF INTERVIEW]

[0:24:40.1] 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]

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