EPISODE 720

[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 Kam Zainabadi. Thanks for being on the show, Kam.

[0:00:32.6] KZ: Thank you for having me, Whitney.

[0:00:34.6] WS: Dr. Zainabadi is both a medical doctor and a seasoned real estate investor. He's teamed up with Silicon Valley to remove any barrier for syndicators to enter online real estate crowdfunding. These barriers imposed by current platforms, include high cost stringent assets, under management criteria, exclusivity, agreements and many more.

Kam, thank you again for your time, it's interesting topic, especially for syndicators and I felt like we should all know more about crowdfunding probably and what that is and why that relates to our business. And so, let's jump right in and tell us a little more about you know, your background, your business in real estate and you know, your crowdfunding piece here that you're building.

[0:01:16.4] KZ: Absolutely. I mean, my background as you said, I'm a medical doctor but I've known all my life that real estate is the way to build the best way to have assets. Right after residency, when I started, it was actually during the financial crisis and I started building my real estate portfolio through purchase of many single-family homes in the area, in the markets around where I was working and then I expanded that into multifamily portfolio. Then I went into through my kind of connections I made in this real estate business I started investing as passive investor into syndications. Then I jumped into 2012 and afterwards when crowdfunding and became a viable entity through the JOBS Act and there was these crowdfunding sites trying to take root and take hold of that segment of the crowdfunding market and for real estate, I started investing with them.

That's really my personal background. Besides real estate, I've also invested an angel, I've been an angel investor, I've made connections in the Silicon Valley and that's where really my strengths are that I had the connections in relationship between both the real estate market and a good knowledge of it and also, from the VC side or angel side, I kind of really got to know the workings of Silicon Valley and how a startup could succeed.

[0:02:37.7] WS: Nice, it's interesting just your history and investing and single family to multifamily, then you went passive in syndications and then also you know, got into crowdfunding as well and other types of investing also.

Talk a little bit to us about what you're currently working on the crowdfunding space and let's jump in to what crowd funding is and what you're doing there?

[0:02:58.6] KZ: Let's go back a little bit, in order to sell any kind of security, usually SEC frowned upon general solicitation and that meant that the only – whether it's stocks or real estate, you can't really go and advertise it for example in *The Wall Street Journal* or nowadays in online, on the internet or social media.

That was really frowned upon until around 2012 and later on when you know, we had these crowdfunding exemptions and the 506(c) exemption and things like that. That allowed actually kind of the burgeoning or the rise of this whole sector of the market which actually one of the largest growth sectors about 50% year over year. It's going to get larger and larger in the future and that's no doubt about it.

Crowdfunding allows, for example, let's talk about real estate because that's what we're here for, allows real estate profession such as syndicators to take advantage of that because as you know, syndicates were limited to the pool of investors they knew. I mean, they usually have a core of investors and they always are trying to get more investors to invest with them.

This is – I mean, there's certainly wide part of the spectrum, there's really high – they're really successful syndicates that have large amount of asset undermanagement and there's a large sector of the market that's just trying to build a network of investors, so what does that mean? They could be able to acquire larger asset class, you've kind of limited by really money, right? That's always the issue.

This allows really those syndicates that are trying to build up their pool of investors to jump into the arena and be able to be more successful. The way to do it typically is through 506(c), that's most what the real estate syndicates have done because Reg A which is one of the other two ways of doing crowdfunding is very difficult and strenuous and tenants, very difficult to do it. Most syndicates don't really do that. It's really kind of a pre-IPO and it's very – just time and money-consuming, it doesn't really work.

The CF or crowdfunding exemption, actually the limitation is really, allows only one million – 1.07 million dollars but that's actually has changed. The big limitation crowdfunding exception was you could only get it – you could only raise about a million which you know, it's most of the time doesn't really work for any kind of syndicated deals.

However, there's been a new ruling which is going to go to effect in the next few months, it's going to raise the limit of five million. That's a big deal for crowdfunding exemption, that allows more of these real estate syndicated deals to be able to actually use crowdfunding exemption. Those are the three different exemptions we talked about.

Where Park Place comes in is so you know, in my investment with the crowdfunding platforms which I'm not going to name, I found that there's certain limitations and there's certain strengths to them. They highly vet their deals, so that means the end of the funnel really allows only .2% of their – all the deals that they vet to go through. It's a very difficult selection criteria for that.

Number two is the cost they impose on syndications could be anywhere between five to seven percent. As you can imagine, if you want to raise 10 million dollars, it could be quite a bit of money. Their deals are kind of limited to the larger syndications that are really kind of okay with that. But that leaves a large amount of the startup syndications and mid-sized syndications out of the arena.

What some of these syndications have done, they have created these portals for themselves either through white label software and allow to build up the pool of investors. As you can imagine, it's very difficult to market yourself to the entire internet community because you know, their strength is not really in that. Their marketing was more towards the friends and family model, it's not really their segment of strength.

Having said all that, that you know, I realized, listen, I know I mean, this is just, it's time for it to change that really and that's where Park Place came from. I spoke to a few of my associates, some Silicon Valley and they kind of did some due diligence. They said, "Yeah, this is actually a really good idea." I mean, you could – the idea is, create a platform that basically, it's a marketplace where syndications could list their deal, it's actually, it's very simple to list, they could list it within 10 to 15 minutes and listing goes live.

And then from the investor side, the investors, you know, if they search for a deal and if it meets their for example, location, certain criteria, then they basically connect. That's what we're doing, we're facilitating those transactions and meeting up of the investors with the syndications. We're not getting a cut of that. That's the model that's different, we're trying to democratize the entire sector and I think I believe there's many ways –

As far as the company's health financially, you could monetize it from a different way than the current crowdfunding platforms. The way that would create a more of a win/win situation for both investors, both for syndications and of course, for us to be able to survive and financially and bring more of our services to the community.

[0:08:17.2] WS: Could you go a little more in depth on the – just the relationship between let's say, the syndicator operator and you know, like Park Place Investment and what that relationship looks like when they have the deal and what happens?

[0:08:30.2] KZ: Sure, absolutely. The relationship, it's a partnership really because the syndications have complete control of your deal and Park Place is – we want them to know that park place is another way, not the only way so when they sign an agreement to list a deal with us, we don't have the exclusive agreement. That's not our business. We want them to succeed anyway they can.

It's really a partnership, they would list their deal, the deal is going live, we do have vetting process ourselves, make sure we don't have any bogus deals but we really kind of rely on our relationship that we built even before the listing for the syndications because we have so many syndications that we know and we want them to create the partnership of going live and that's for both of our benefits.

When Park Place – when the syndication list the deal in Park Place, the deal is live they could upload their photos, the entire deal information. And the second thing we provide, if they choose to use our services, we have services that provide anything with the – you know, if they wanted to do 506(c), we provide all those services, if they want to do a perspective or offering them random, which is a requirement, although not strict for 506(c), we could provide those services. Obviously forming a real estate entity which you know, if they choose to use our services, we could do that, that's from the legal and kind of the regulatory standpoint. Those are the things we facilitate for them.

And also, we've created relationship with certain financial institutions that if they want to use our lenders, our choice, we could sound and provide that. It's a community, you know, we provide these survives if they choose to use it, they would if they don't, they don't.

Lastly, we do not charge any percentage commission on the capital raise, that's not how our model works. We want to make it really easy for them. We don't want them to list the deal and be charged $50,000 really. I don't think that is really a way to form a partnership.

[0:10:27.6] WS: Who is your prime candidate for this? You know let's say already operating or somebody that is just getting into the business or where does that fall? Who is your prime customer or partner I should say with Park Place?

[0:10:40.8] KZ: So far, the syndications, the asset under man – I mean a little bit if this is off the top of my head based on the syndications we've been working with this. I mean they are asset under manager about 50 to 100 million right now. So, they are either smaller but we have a few that are about 200 to 300 million. So, we have those that we're dealing with. They are not like 900 to you know $900 million. Those are the larger ones. Those are really not our clients. I mean they are not our target clients really.

We try to grow with the syndications that we believe they aren't in a growth curve also because you know the larger syndications, if they want to go into the crowdfunding, they are going to grow this larger crowdfunding because you know for them dishing out 50 to 60,000 is not that much based on their asset under management or their goals are.

[0:11:25.2] WS: Sure, and is that person going to typically need that? Say you know three to $5 million raise per deal?

[0:11:32.4] KZ: Oh, you're talking something about like that. Yes sure, of course. That is right, five million. There are a couple that are trying to raise 10 to 15 million that is what the raise is usually, you're right.

[0:11:41.1] WS: How does that work if they need 10 million? Can they only bring five million from the crowdfunding platform?

[0:11:46.9] KZ: For Park Place, we really don't really set on limitation because they get connected to the investors directly. We are not a litigator between the two. So, we're not really playing that part. So, when an investor is interested for example in syndicate A's deal, they make that connection and that's what the marketplace – we are not really managing the finances. We are not managing the deal flow. So that it is a connection. That is when I say one is we'll trying to democratize things. We want to make sure everybody succeeds and with that, I think when the tide rises, we rise with it.

[0:12:25.6] WS: Nice and how is that tracked through the process? You know you all make that – you have this investor base. You are making that connection to that operator. How is it tracked then whether an investor actually invests in that deal or not?

[0:12:37.4] KZ: There's a couple of ways. Our second phase of our platform would be investment management software that we're in negotiation to do that and that would actually allow tracking. However, they may choose not to use that. So, I mean again, we are trying to – we will have a built-in investment management software. We have CRM, deal tracking, however having said that, right now the way that we're tracking is really based on feedback and also based on reviews.

So, it is like we have the Yelp review, so obviously if a deal goes bad or something is not something the investors are not happy, they either reach us or they review the investor and that is probably like for everybody to see.

[0:13:16.8] WS: And so ultimately, you are making the connection, the referral type yeah. And so, what kind of vetting would you all do of hat operator or the deal before you had make that connection?

[0:13:28.0] KZ: We would track the records. So, we actually would have a one-on-one interview with them to see what they're all about, what their goals are, what their previous experience has been. Then we would do our own search kind of go over and look at their previous deals and vet their online presence and also the previous deal history.

[0:13:47.8] WS: How new can this operator be or can it be their first deal or is there certain level? I know you mentioned the different numbers there that maybe assets under management or something.

[0:13:57.4] KZ: Sure, absolutely. I mean it could be the first deal. So, the other segment of the market that we believe would perhaps – Again, we're not targeting them but that is certainly in scope right now is for a lot of syndicators start it as a broker, as a realtor, you know real estate professionals. And some of them want to get in and become a syndicator however they don't really have the experience. So, we do facilitate that type of relationship also.

If it is their first syndicated deal but that requires a lot more handholding. So, we would require the legal and the regulatory Park Place to really work with them to put their first kind of deal together in so far as meeting all the regulations, exemptions and things like that and the – but as far as typically our typical syndication would not be their first deal. Because if it is, they miss kind of the criteria I mentioned that it is a little bit more handholding for them to be sure to succeed because ultimately, their success means our success. So, we want to make sure that is really in line.

[0:15:03.3] WS: How are you growing your investor base now? How are you all meeting new investors and reaching out?

[0:15:08.0] KZ: Sure, so the core of the company is six partners that we have through the passing of time and just our experience, we have grown to have just our own listing of our own relationship about a thousand accredited investors we know ourselves. Above and beyond that, we are growing it through certain campaigns we are doing both on social media, both on internet and also both on different types of advertising to get more accredited investors onboard. However, we really know that when we reach our threshold about two to 300 accredited investors, it really takes off by itself. It becomes very organic.

[0:15:46.2] WS: Just by referrals?

[0:15:47.6] KZ: Yeah, we definitely have a referral program both within the platform itself and both through in different mediums. Yes, and that's incentivized in certain levels.

[0:15:57.1] WS: How do you incentivize referrals through investors?

[0:15:59.8] KZ: Well, I mean those are things that are certain kind of proprietary algorithms that we have to do. And we have to keep in mind that we have our cost per acquisition of clients low because that is something that we know is definitely a metric that is measured by VC firms and other firms down the road. So, we don't want to say, "Oh you know we will give you X amount of shares or cash or whatever," that doesn't really work well for a lot of them. But there are certain things we do that we're implementing.

[0:16:31.8] WS: What's a way you have recently improved your business that we could apply to ours?

[0:16:36.0] KZ: Well, I think one of the best ways honestly has been really having a more of an active LinkedIn presence. I mean I don't want to promote LinkedIn on any given thing but I mean I do like LinkedIn a lot. I've been able to connect organically. So many real estate investors and professions through LinkedIn by itself that I really – my recommendation for anybody that is trying to grow their net worth to really have a presence on LinkedIn.

I mean I don't know what everybody knows that, I am sure a lot of people do but I think the more active you are on LinkedIn, it is definitely the social media platform for professionals and investors.

[0:17:17.1] WS: What's the number one thing that's contributed to your success?

[0:17:20.6] KZ: I think my relationships with the people I know. You know a business is nothing without a relationships. You know if you don't have that, then you could have the greatest platform online presence but if you don't know how to nurture relationships then you are not going to really make it and especially in real estate business you know? And any type of sales.

[0:17:41.2] WS: Tell us how you like to give back?

[0:17:43.8] KZ: We are planning to donate 5% of our – actually this is very important because this was part of our initial when we caught to get 5% of our gross actually to a couple of things. One is a charity of our choice and number two is an organization, which is a college organization that is dear to us and we are going to give certain percentage back to that.

[0:18:08.6] WS: Kam, thank you so much for your time today. I appreciate you just elaborating on what you do in this business at Park Place and how that can help syndicators and I hope many will reach out to you to see if they're a good fit to partner with you. Tell them how they can get in touch with you and learn more about you?

[0:18:23.3] KZ: I'm always on LinkedIn, so you could come at my name, Kam Zainabadi, our LinkedIn is Park Place Investment. You could also go on our website, parkplaceinvestment.co and the marketplace is parkplaceinvestment.com. So those are the two different websites and our email is info@parkplaceinvestment.com.

[0:18:44.7] WS: Awesome.

[0:18:45.7] KZ: Thank you so much, I appreciate you giving me the opportunity to appear on your show. I really appreciate it.

[0:18:50.4] WS: My pleasure. A pleasure to meet you, Kam and I look forward to learning more about you in the future.

[0:18:55.4] KZ: I hope to continue our relationship. Thank you so much.

[END OF INTERVIEW]

[0:18:57.8] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

[0:19:38.7] ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

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