

Episode 738

[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 Sakar Kawle. Thanks for being on the show Sakar.

[0:00:32.6] SK: Awesome, thank you, Whitney, I appreciate the invite and looking forward to the conversation.

[0:00:37.6] WS: Yeah, me too, it's been great to see you all over the place or we've met numerous times and over the last few years and see your success as well. It's neat to have you on the show now and let the listeners hear your story, and Sakar came to the US to study MS at Clemson University in 1997.

After a corporate layoff, he decided to pursue real estate and cash flowing rentals. He methodically scaled his personal portfolio to 200 houses – mid-sized apartment units and has controlling interest in 800 units in Texas as well. He owns and operates his portfolio via their vertically integrated construction and property management company in Maryland. Sakar, thank you again for your time, early this morning as well.

I want you to give us a little background on your story or getting into the real estate business. I love hearing parts of people's stories because I think it helps motivate and encourage those that are listening, trying to do the same thing and maybe even through that, I know before the show,

you and I were talking about just the mental elements of getting started and some of that then I know you've worked on and love to hear that as well.

[0:01:39.3] SK: Awesome, thank you, Whitney, before anyone who liked to kind of get started and perhaps wants to know more about real estate and what things are possible. I think my story would be very relevant to them like I came to this country as you stated in the short bio that in 1997, pretty much I came with no money, and in fact, you can say that I came but pretty much decked as well. From then on to now, you know, it's been a long ride and it's all about doing the right things and things like that, right? The short story is that I had a small real estate background back home and now as I came through as a student and on a student visa and then you know, you're working and in your early years, you get laid off.

That layoff was kind of my sort of a shifting point where I said hey, you know what? I have to control my destiny, at that point, when I was laid off, I was pretty much making six figures, I was certified like a J2EE architect from sun microsystems and things like that.

For someone as high up the cater that can happen to you at a young age as you are at the time, it just throws in a whole set of uncertainties around you saying that you have no control of what your destiny is regardless of how much of a qualification or how great you can perform. Funny enough, as I was just watching TV at the time, this was way back I think in 98, 99. I think years date very quickly but that time is when I think carbon sheets and Ron Lee Grant are the names that you probably don't see them or hear them anymore.

But those were the small infomercials that got me started or that kind of piqued my interest. "Hey, let me see how this works and through my entrepreneurial things that I have done back home," I have done some new construction and things like that and we always had some inventory of lots back home where we invested in India and things like that.

I kind of took some inspiration from those and said, "Hey, let me explore this." That's how my stories started like many others, you start with the house and you say "Hey, I think I know how this can work," and once you get that early success, you're on to starting to multiply and multiply and things like that.

Obviously, I'm double down after the wait, recession and things like that so that's when we were buying like let's say whatever 10, 12, 14 houses a month and sometimes we would just kind of sit on them and it kind of sounds crazy but that's how it has been, it hasn't been that, okay, we certainly, kind of out of nowhere came and things like that, it's been consistent performance over probably a couple of decades now.

Just doing the right thing and if I always like to say if I can do it, gosh, I mean, there's no reason that no one else cannot do this, you know?

[0:04:36.1] WS: That's awesome Sakar, it's interesting, you mentioned a couple of things there I wanted to highlight. You said doing the right things, if you could just name one or two things that the listener could put in place today that's doing the right thing, to reach that real estate success, what would you say that is?

[0:04:49.2] SK: The context gets interesting about doing the right thing. Whether from my shoes it's now all about, "Hey, are we performing at its peak?" Whether I'm doing nice to tenants or perhaps I am working with contractors in a cohesive way or perhaps as a team, I'm looking forward to excelling in how I can help my other admins around you. But for someone else, it could be very different, it could be perhaps, "Hey, can I analyze a property better or can I look at the properties in a different way," or someone who maybe listening to this conversation, maybe taking a different exit on down the road and saying hey, I want to go check out this neighborhood.

I've been thinking about this part along or sometimes, things weigh on you that hey, you don't have a good relationship with someone and things like that, it's all about kind of getting those monkeys off of your back and kind of setting your mind and being in harmony so there's a lot of things like let's say again, going back to my position long ago I realized that at a level that I was doing those things, I quickly realized that lenders are my key partners here.

That meant enhancing those relationships whether I was kind of proactively showing them, "Hey, this is what we are doing," showing them pictures and things like that and lo and behold, it took me two, three years to kind of form those relationships but once people understood that,

“Hey, this person is all about doing right things and having that great attitude towards rewarding people,” and things like that.

Trust me, I think the world opens its doors to you and that’s what happened to me that I never had issues with let’s say, the people element, whether that’s contractors, tenants and things like that, lenders embrace you with open arms and – hey, these guys are doing the right things, they are buying in right places, doing the renovations correctly, their operations show that tenants are satisfied and things like that so there’s a lot of elements through that and that’s the fuller side of we have always been mindful that it’s not a quick success, it’s all about a lot of those little things and little interactions that you are having every day.

Whether that’s all the people around you that’s doing those right things and again I guess I expanded a whole lot more but those are the elements that someone has to look at a when they’re executing the things in the right manner.

[0:07:08.9] WS: I like that, it’s not about a quick success, that’s so rare, right? It sometimes even looks that way to others, had a quick success but they didn’t see the grind that you’ve been doing for years, you know up to that point. Even going back to – I would say, just 08/09, there were times you were buying 10 to 12 houses a month. I mean, that’s a lot, you know?

That’s a lot to put a team like that together and make things like that happen. I’m sure you learned so much there that’s been valuable and multifamily now as you’ve scaled doing larger deals now. Let’s jump forward a few years – now you’ve been a part of numerous apartment deals and value ad, construction, and all these things. Before we get to say, some value ad specifics, I’d love to just hear just like your opinion about the current state of the real estate market and what you see moving forward. Say the next six to 12 months?

[0:08:01.8] SK: As the pandemic has unraveled, right? We have high record unemployment and if we compare this pandemic with respect to let’s say 2008, in 2008, we had a bailout of let’s say close to a billion or so. Now, we are touching trillions and trillions of dollars. This pandemic is a whole lot bigger and I think it has definitely played into pretty much the main street, the jobs are gone, there’s some industries that have been permanently shaped, in a very drastic way.

I certainly feel that you don't see the risk right away because multifamily and apartments, in general, tend to sort of be your lowest denominator where you will see that hey, people are still trying to hold on, everybody needs to have a roof over their head and things like that.

But, the reality is, people have lost jobs, there's income that have been wiped out so we have had a sort of a rosy effect of okay, federal stimulus coming in and things like that. We still win somehow, being able to hold on but now, if you're starting to see the latest stat in the last few weeks or so as we record this towards the end of September, you're starting to see that the rent collections have been declining slightly.

That's where you kind of see that hey, this may be the beginning of the distress that's maybe perhaps about to come in in the immediate future. And that's what I would say that although multifamily is very resilient but the scale of the pandemic that we have had. Sure, there will be other sectors in commercial, for example, half is hotels and industry and you can always say based on which market you are at. They are more drastically impacted but as for as multifamily goes, sure, it will be lesser impacted and again, there's that whole discussion of what you can have around what sort of asset class, whether you are in C class, B class, or perhaps A class.

Things will tend to shift through those, all of those as well but it's safe to say that the main street blue-collar jobs that we see, unless and until we see a vaccine around the corner and we see that consumer confidence coming back, business is hiring back again in sort of throws and things like that. It's hard to see how quickly we can get back so for like let's say syndicators, I would say if there is a heavy repositioning or a lot of value acting that may be going on.

It's safe to pause those maybe just to cause many turns and things like that. If there is a way you can pause your distributions and therefore I am to being like let's say quarterly or even on a six months basis. It's safe to do that.

[0:10:44.5] WS: Okay, are you, are you all buyers right now, are you looking for deals or are you sitting on the sidelines – what's your opinion about what investors should be doing right now?

[0:10:54.5] SK: Depending on the market again, right? There's always a tier around which are cash flowing markets, you know? We can name the stage, whether that's Arkansas, Tennessee,

and things like that that are good with pockets where you can say that hey, it's steady Eddy, the things just work. But now, you come to the banner markets like let's say the Carolinas, the Dallas, the Austins, the Orlandos, the Tampas of the world.

That's where you go to be very careful that you got buying, mostly on a momentum play or a yield play as we call it. You are paying market prices, right. That's where it gets interesting is that let's say if you have a debt, it could certainly wipe out years of your hard work and so sure enough, based on the market, we are definitely looking for opportunities but at the same time, it's not to say that yes, we are like super hungry, we are opportunistic given the right deal and things like that, we will certainly buy but we're absolutely not in a crazy acquisition mode, that's what I would say.

[0:11:55.1] WS: Yeah, let's talk about value add just a little bit, a term that we hear often, in this industry and value add deals and you know, those types of deals have made a lot of success for a lot of operators over the last many years. You're very familiar with value add and you all have been doing that, what's your take in say value add now, value add deals – finding, completing that type of business plan now today as supposed to say, five years ago?

[0:12:23.2] SK: Value add gets interesting, right? For newer folks who may not know, there's a huge difference between a value add versus capital improvements, like value add will be able to say okay, you're adding it, amenities like brass is washer dryers, Amazon-based lockers or you're probably offering some water-based conservation program and things like that but the other thing that as far as the roofs, the windows or perhaps the expensive siding or the expensive, some of the landscaping or the curb appeals or anything.

They start to get expensive, right? That's where you have to differ. For example, if we take the pandemic out of the context for a second, the last several years have been very much forgiving to investors where we had record appreciation, you had markets going up, and things like that. You had a sort of a situation where a lot of mistakes or perhaps some things that you would have missed during your initial underwriting, you are forgiven by the market but now, we are in a situation where I think you have to accurately underwrite the deals, accurately understand that yes, what exactly the value add improvements, we are doing or what could be the capital

improvements that are definitely needed in our business plan. To get where we need to be, right?

That's where you have to distinguish that it's not a forgiving environment as we have had before in the prior years. Now, it's all about: let's get our budgets right, let's make sure we are taking the estimates correctly from let's say the contractors, or let's network with a few more property managers and understand how the assets will perform, what's our rank bumps if any you are seeing.

You are not banking on let's say the market or the tailwind concept as we keep talking about that. The markets and the rent appreciation that you might get, it's not there so it's all about you making sure your underwriting is correct, your budgets are accurate and you're not overly aggressive in your assumption. That's what I would say.

It kind of dovetails into a lot more bigger issues that it's not about. "Hey can I apply the paint and can I maybe do a little bit of landscaping?" It is a whole lot given the pandemic and all of the pair winds we have given with the rent increases we may see, right? So it is all about making sure that all of those things are correctly accounted for anyone, right? Otherwise, you could be working for free in your syndication partnership that you would have and not see that many good returns but that is the world we live in right now.

[0:14:57.0] WS: Yes, you mentioned so many great things there and one thing I wanted to ask you, you said you must accurately underwrite deals and I want to understand your value, that is so true. You know we thought we needed to know that all of this time but we understand now. I mean it is so much more even crucial. You mentioned things were forgiven then just because of the market. You know if you could pick two to three things when you think of underwriting accurately now.

Nailing that down even more accurately than we did say a few years ago, what would that be or what are some things that you focus more on now?

[0:15:29.7] SK: Sure, I think right off the top as you are underwriting the deals, I think networking with property managers, in my opinion, is a great way to understand how the property will

operate, right? And that means that at least the property management companies that you are working with, are they giving you realistic budgets like are they going to perhaps charge you a bunch of fees or perhaps are they going to charge you a lot more over on top of like let's say if you are doing some value add improvements or leasing and things like that, are they going to charge you more fees?

So that would be one bucket I would look at on a consistent value add basis like water savings always play a great role to your bottom line without doing much. If you can change and do the water conservations and save some energy that goes right back to your NOI. We have seen water savings programs give you returns in that like settle around 15 months. So let us say you are spending X dollars, through the savings you see that yes, you are going to break even around within 15 months or so.

So are the quick few things and then you know obviously like let's say if you are buying a tired property, quick landscaping of rooms and instead of doing expensive re-tars on your driveways and things like that if you can just seal coat and get by, those would be good improvements. So anything that you can do for a less dollars, whether that is just let's say power washing your siding to kind of get by first let's say 24 months or so immediately before you can go into an expensive repainting or changing the entire siding.

So anything that you can do perhaps to weather the storm right now and then see how things come out and then after like let's say 18 to 24 months, you want to revisit and say that, "Okay now, I am going to jump on some of the expensive cap X improvements that I have to do." So all of those things should be on the table to kind of get by right now and then perhaps launch into perhaps a full-scale cap X land that you may have had.

[0:17:43.5] WS: Sakar, how do you prepare or were you prepared for a downturn?

[0:17:47.5] SK: Sure. So right now we are very conservatively underwriting. Well, that means that we are probably not accounting for rent premiums or precision in the next couple of years. So we will do that. We are pretty much focused on what the property manager budgets they are giving us, is the payroll. Are there contract services within there? Are they correct? And things

like that. So there is a lot of penny-pinching going on that making sure that we are not buying anything that is just –

You know an appreciation plan, things like that. It is more about just tangible improvements that you can do so that you can definitely see that, sort of the benefits and the return. So those would be key things and then there are a whole lot more things around that and things like that. We are definitely extremely cautious about not launching into some exotic, the mezzanine, or not doing anything along those lines. So those would be the highlight points that I would say.

[0:18:50.5] WS: Yes, so I believe discipline is so crucial to success in almost any business especially in ours and I know from doing 10 to 12 hours a month to what you have accomplished now in larger assets in multi-family, you definitely have some self-discipline. How would you speak to just gaining that self-discipline for yourself? Maybe some ways now that you are improving your self-discipline or even a couple habits that you are just so disciplined about that you know have pushed you forward?

[0:19:18.9] SK: Absolutely, that is a great question Whitney and I can't simply try to work on it. One of the biggest benefits or distractions you have to enter this economy is your cell phone. You can leverage that to make great calls and things like that but you can be on it endlessly checking whatever, Facebook, LinkedIn, Twitter and you name it. So the whole social media is in the game of engaging you the whole time.

So controlling your distractions is one of the biggest ways I would say right at the top then, of course, we can talk about improving yourself whether that means that you are reading books, you are listening to podcasts in a quote way. You are networking with people and to me, I think the people element is great. I love this medium of podcasts where you and I can speak, we can network with other investors and gain the knowledge of what is working for other people that we can apply to others and things like that.

Those would be the huge ways and then it's also about just not about the knowledge. You got to take care of your mind and body, right? So I exercise twice daily at this point. Whether that means and it is not anything crazy. Honestly, Whitney, it is just maybe 30 minutes in the morning. If I can get in 25 to 30 minutes in the evening as well. So I don't go super crazy but

that keeps you the vitality. You know those are the quick habits I would say that there is a whole lot more we can talk about.

But being self-aware, I mean if I can throw this out there learning – and I basically learn is where I always like to hone in is Listening to introspection to yourself, you would be having the Empathy. Understanding what's happening around you, it is that effectiveness is your Attitude, your aspirations, and things like that. R is resilience, like getting back into things of things and not let the failures go by – and N the New targets, the newness – what can you do, how can you network, how can you get it? So I always in my mind, I am always like can I LEARN more because that is as famous Jim Rhone says that you cannot exceed yourself behind you, learn more things that you can learn by yourself. I mean it probably escapes me but you can never sort of all take yourself than your mindset and your attitude. So those would be quick things I would say for people who are looking, you know?

[0:21:58.2] WS: Yeah that is really good. What is a way that you have recently improved your business – your syndication business that we could apply to ours?

[0:22:04.6] SK: Sure, so we recently moved into a structured portal to have all of our investors. So that is the first thing we did that simplified a lot of let's say the PPM signings and you having all documents so that is centralized. That would be the systems were things that you can centralize and, of course, we have the CRM's and things like that as well that help us do things in a more effective way but on a more tangible basis or things that can give you an edge.

It is always the people element. It is always networking with folks, understanding what is happening, staying current. It is really the people element, making great friendships. Those will be the quick ways you can – I mean you can have great people. I always like to say that, boy, you know you can fix a lot of assets and do a lot of things but if you can have great people around you that was – it is not about the money. It is not about all the bling and things like that.

It's that harmony, it's that "Hey, I know these 50 people. I know these 100 people. I have networked them, I have met with them. I love what they are doing, you know I have seen their kids. I see how much success everyone has," that is what keeps me excited. It is not really the

money or anything like that. It is really about helping people and going to that next level. That is what I love about everything.

[0:23:29.2] WS: What's your best source for meeting new investors right now?

[0:23:31.9] SK: Sure, so I network a lot. So that would be my number one goal. Sharing stories with folks and you know participating in the meet-ups or conferences. That has been very helpful to me and to me, it is more about natural attraction that for me being out there on every single podcast or every single social media post and things like that is authenticity that draws folks saying, "Hey this is somebody who has done and has a successful real estate portfolio on his own and he is now also doing the syndications."

As you know I have my own podcast, so that brings a lot more new listeners, people listen to your premium cash flow podcast as well. So that has been a good source as well.

[0:24:16.9] WS: What's the top one thing that's contributed to your success?

[0:24:20.7] SK: I would always say that it is networking with people and learning that there are multiple truths in this world saying that you could be right but there are five other things that are fired their paddle their little ways are as well that are right. So being open to that and accepting those ways and submitting yourself that hey, there is a better way or perhaps there are other ways as well. So sometimes as many things that I have done I have fallen.

Kind of have fallen in a trap also where hey, I have done this 20 years. This is how I know and this is how it works. Well, guess what? There are five other ways that deals are happening and people are making it work, you know? So that's the way I would say that keep an open mind, understand how things work and that is what I would say. It is not one trick at all, it is all about relationships and the acceptance of multiple ways and truths basically.

[0:25:20.1] WS: And how do you like to give back?

[0:25:21.7] SK: Oh boy, I am always networking, I am always trying to help on a tangible basis. I am here in Maryland in the Baltimore vicinity. Years ago, we did not have a social group. So we

formed a Fire Tree C I guess the organization, non-profit organization to which we basically on a year-round basis, it is a cultural organization. We get together and celebrate our festivals and things like that. While at the medium, we will donate to let's say a horse farm or the homeless societies and things like that.

I personally since I am operating a portfolio many times when tenants have hardships, I will just forgive their rents. We have students where we'll say, "Hey, you know what, you are in Portland, you are from Portland, you are in Baltimore," so I love to help in many different ways as I can. Less is more for me at this point.

[0:26:18.2] WS: Sakar thank you again for your time with us today. We are grateful just to hear your story again and just your success. Congratulations again and I know it has taken a lot of self-discipline, a lot of work, a lot of effort consistently over many years but I am just grateful to hear your opinion of a current market and just value add in general in ways. We need to be just looking deeper in our underwriting and understanding the value add component.

But then just focusing on networking and learning and I just enjoy that very much and I am grateful for your time. Tell the listeners how they can get in touch with you and learn more about you?

[0:26:51.2] SK: Sure, so people can learn all about me. Our company is Premium Cash Flow and you can find information there as well, so premiumcashflow.com would be the place. There we have news articles, as I mentioned we have our own podcast as well where we are interviewing a lot more listeners. So all information is there, if folks want to just drop me a message, I would be at info@premiumcashflow.com or if anybody has any interest in what we are doing, all of the information is there. So log on to premiumcashflow.com and you can find all about us right there.

[0:27:28.5] WS: Awesome Sakar, that's a wrap. Thank you very much.

[0:27:32.6] SK: Thank you, I appreciate it, Whitney.

[END OF INTERVIEW]

[0:27:35.1] 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.

Subscribe too so you can get the latest episodes. Lastly, I want to keep you updated so head over to LifeBridgeCapital.com and sign up for the newsletter. If you are interested in partnering with me, sign up on the contact us page so you can talk to me directly. Have a blessed day and I will talk to you tomorrow.

[OUTRO]

[0:28:15.6] 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.

[END]