

EPISODE 741

[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 Sonya Rocvil. Thanks for being on the show, Sonya.

[0:00:32.3] SR: Hi Whitney, great to see you, thanks for having me on.

[0:00:36.4] WS: Yeah, Sonya has a background in financial statement, audit, and financial services. She founded bedrock real estate investor specializing in the acquisition of multi-family apartments. She also has syndicated four apartment deals and has life-cycled two of these deals.

Sonya, thank you again for your time. Looking forward to just diving into your super power and how you've built this amazing team to make this happen. But give us a little more about your background and in real estate, how you got to where you're at now and let's jump in.

[0:01:06.1] SR: Great, thanks again. I didn't start out my career in real estate. I actually started out as Whitney mentioned in audit and in financial services. All the while though, I knew I didn't want to be a partner at a CPA firm and I was just trying to figure out what my next steps were going to be and fortuitously, I had an opportunity to pivot and I really got a chance to step back and think about real estate, I started deep-diving into different books, I joined my local REIA and I real estate really resonated with me and so when an opportunity presented itself, I decided not

to continue to pursue my career that I had already and moving to real estate. What I had to do was figure out what strategy I wanted and multi-family really resonated with me.

[0:02:03.2] WS: What was the opportunity that presented itself that helped you to just pivot completely?

[0:02:08.3] SR: Yeah, it's funny because a lot of people would think of this as a negative thing but it was actually a really good thing. In my company, there were a lot of changes that were happening and my entire group was laid off, including myself. It really gave me a chance to take a step back. I thought, wow, okay, I could try to move to another group or a competitor or another company but then I thought, you know, I've just been thinking about real estate for the past several years and trying to figure out how I could make this work. Maybe now is the time to take that time and take a step back and think about it.

A lot of people say, well, "I got laid off or that happened to me," but I think it's a mindset. Don't let things happen to you, you take a – see the opportunity and all of the anything that happens.

[0:02:57.0] WS: I like that, you said, don't let things happen to you but see them as an opportunity.

[0:03:02.2] SR: Yeah, for sure because that's what really helped me because I was thinking, this is good timing actually and that timing just opened up doors for me to join various organizations and different groups and multi-family investing group that also helped me think and move in this direction as well.

[0:03:21.7] WS: Nice, I think that's such good advice right there. I want to dig in there just for a minute. What helped you develop that mentality? You know, a lot of people are just going to be so fearful at that moment, they've gotten laid off, it's going to be hard not to just focus on that, right? Almost get run out like you've been run over by a bus and it's hard to get back up.

What was it for you that helped you to push through that and see it as an opportunity?

[0:03:43.7] SR: I think I had a few things that were in my favor. First of all, support from my family. I think that's the strongest thing that I always have in my back pocket and my family, my husband, they knew that I've been thinking about and talking about real estate for so many years and so my husband actually was just like, "This is what you've been talking about, why don't not take this time?" And so, that really gave me the additional push because it's hard when you don't have support around you. I was fortunate to have support around me and then sometimes you just have to find a support that's around you.

[0:04:17.7] WS: Nice. I appreciate you sharing that, it's so important. Let's jump in to how you've built this team around you, this is 'A' team of people that have helped you to get to success, right? In this business, a syndication business is such a team sport and the listeners here, every day, nearly, was talking about just the team aspect of this business.

But I love hearing out people like yourself and built that team because it's so important, who we bring on to our team and their skillsets and all those things, it's a complicated process and can just make or break you almost, who you bring on. You know, let's dive in there and how you've done that?

[0:04:54.9] SR: Yeah, it's exactly what you said Whitney, definitely a team sport and you really have to have multiple people involved from the very beginning. One of the things in building a team is first understanding your own skillset. Your own super power, what do you bring to the team? For me, I lean in pretty heavily on my financial background and my like to actually dig through financial statements and understand what's happening in them. That really helps me in the analyze phase, in the underwriting and then also after we acquire for asset management.

What it also made me do is look and find other people to join venture with because one of the things that I realized also is that yes, you can do, you can start out on your own but there was just so much – it was so much better for me to partner with other people and to find joint venture partners who would be able to complement my skillsets and then work with them to identify properties.

The very first real estate deal I did other than my path of investments was a 48-unit property and on my own, that would have been a challenge to do. I'm here, I'm based in New York and the

other thing that was very important for us to have in terms of team is the property management team. If you're going to be investing outside of an area where you can drive to on a frequent basis and you have a property manager, if you can drive and you still have property management, having a solid property management team is immeasurable. You really need to be able to work with them, need to have similar philosophies and you need to make sure that you're able to help to drive the results for your investors.

[0:06:42.6] WS: Nice. Tell me about some other team members that you know, anybody else, you know, like property management, some of those like we know we have to have on our team, anybody else that you brought in or that's part of the team that's not as typical?

[0:06:55.3] SR: Right. In addition to property management, you definitely need to have your legal team.

[0:07:00.5] WS: Okay, are you able to say, delegate any other things to team members that maybe a first that you didn't want to delegate or things that you're able to hand off to people so you have more time to do what you need to do?

[0:07:11.2] SR: Right, now, as years have progressed, yes, there are other folks that are part of my team now that can help me with the underwriting and can help me with that work too but it always have to have that level of review when you're delegating, it doesn't mean that you're hands off. It just means that completely, it means that somebody is definitely taking the lead but you still have to make sure that you know, especially when you're dealing with your investor's money, that you're dotting on the eyes, crossing all the T's.

[0:07:43.9] WS: Okay, let's jump into your unique ability, your skillset that you bring to the table and you know, financial statements are something that — it's so necessary, right? Our whole team needs to understand enough about them so we know if we're moving forward or not and where money's going, all those things but I wouldn't say it's the most fun thing. But at times it is, but I'm not typically the one that just is going to spend hours inside of a sheet, you know? In numbers.

But I'm thankful for people like you that understand that, because we have to have those. Help us to start thinking about how to see a financial statement and how to analyze that to just uncover what we need to know.

[0:08:22.8] SR: Absolutely. One of the things that you're definitely looking at and one of the first things that you're always going to get is your T12, your trailing 12 financials, which is your income statement, you're going to be looking at revenues and you're going to be looking of course at your expenses. And then of course, the rent roll as well or something that you're going to be looking at.

Some of the things that you need to focus in on and what the rent roll helps you do is understand, where are they with revenues and especially now in the time that we are, which is in COVID, and just with the unforeseen, so many unforeseen things that are happening in our economy. It's also very important to understand collections. Revenues is one thing, how much are they billing, but how much are they actually collecting. It's also helpful to get a balance sheet to look at accounts receivable or to be able to get some kind of statement where you can see what the level of delinquencies are, on the property.

Because this will help you with your underwriting, it will also help you plan if that's the property that you want to go after and you can already see the trend of high delinquency balances, you need to have a plan to be able to help to turn that around and you need to work with your property manager to start thinking about that plan and getting that set up. So write an acquisition or prior to, you already know how you're going to proceed with that. I think that's one of the most important things right now in revenue.

Also, I'm also a big stickler on quality of revenue as well. For example, when you look at other income and you start seeing that there's a lot of money being generated from delinquency fees, that's just kind of bad behavior on a property. Take a look at that too because your collections are coming in the way you want them to be coming in, you're probably not going to have a whole lot of delinquency fees or not very high levels. That's what sometimes we see at properties, very high levels and go, other income is high but yeah, people are not paying. That's something to also take a look at.

[0:10:34.0] WS: Yeah, that's a problem, right?

[0:10:36.5] SR: Yeah.

[0:10:38.0] WS: What about how you communicate with that property management company, you know, you're looking at this sheet or this financial statement, you're analyzing this, how is it that you all continue to communicate about or revenue in whatever. Things are being spent, is there documents that are shared, is it just through phone call, what does that look like?

[0:10:58.5] SR: Right, one of the things that we do is we'll go ahead and do — of course, do our underwriting and then we bring it to our property manager and because you're really part of the team, you're in it together. They're getting paid based on the money that they actually collect and it is in their best interests to make sure that the plans are realistic and that they are setting good expectations because you can have issues down the road.

So one of the things that we get feedback from our broker and we understand what's happening then have the conversation with the property management and say, "Hey, take a look at my underwriting here. This is what I am assuming for year one. This is what we are seeing right now in delinquencies. This is how much I think we are going to be over collect or not collect. What are your thoughts on that? What are the things that we can put in place to try to make sure that we can expedite this?" Then they may just ask questions about tell me about where they're all right now with evictions or let me see where we are in the rent roll or just understanding where value residence are in that process. If the property of former or current team is already started that process to collect the rent for that person.

So these are part of the plans. I was looking at a deal this summer and it was something that we did not pursue but the company manager was able to tell me based on where its located, based on the level of occupancy right now, your occupancy level, you are not going to be able to ramp up until maybe eight months. So your year one is going to be a lot less than what you are even projecting right now. So that was a start, that was still a shock for me because I am usually very conservative but it really helped manage my expectations and it highlighted the risks of that project, which we ended up not pursuing.

[0:12:43.3] WS: It also shows the value of that relationship or that team, like you mentioned earlier.

[0:12:47.6] SR: Yeah, absolutely.

[0:12:49.9] WS: So what about anything else, before we move on but anything else about the financial statement that you see maybe other teams missing or something that you've learned recently that you've had to change about how you're looking or viewing those financial statements.

[0:13:03.6] SR: Yeah, so I am in another, we spend a little time talking about revenues but also expenses are very important as well. So just understanding some of the very fixed expensive like water for example and do they have the most water efficient fixtures in the property that can potentially drive savings later on. If they don't, maybe this is some potential upside for you but you have to build that in also to your underwriting, you are going to have to make an investment in that.

So it's understanding what your expenses are that is also a very important part to get some feedback from your property manager as well because you want to make sure that what you are underwriting and what you are seeing is in line with what they see. They have an entire portfolio so they should be able to help back check some of the numbers that are coming in there and what makes sense where you may have to end up – Where you may actually have to invest more in the property to get some savings later on.

[0:14:00.0] WS: Sonya, what's been the hardest part of this syndication process for you?

[0:14:04.2] SR: So for me it was definitely getting started and talking to people about investing in deals. A lot of this, my audience has been friends and family and people know you as, "Oh Sonya, the accountant, or Sonya the finance person." But not necessarily as Sonya the real estate investor, not yet. So that was the hard thing because it almost felt like, "Oh no, I am just asking them for money, but you really are providing an opportunity and that's what you should believe when you are presenting something to someone and asking people to trust in you, that you are giving them a real opportunity.

[0:14:41.4] WS: How do you prepare for a downturn?

[0:14:45.0] SR: You really have to think about your reserves, think about your cash on hand. Try to come up with creative ways to collect as much of the cash from residents who are able to pay as early as possible in the collection process. This allows you to better understand your total cash position and upfront I would say if you are starting out and you're upfront, very consider putting up some reserves and making sure that you're waking enough to have some reserves. It can be a bummer because it affects in return sometimes and usually it does but we can get it back if you don't need it.

[0:15:22.9] WS: That's right. Do you have a way of calculating how much reserves you need or you need to raise in the very beginning?

[0:15:30.0] SR: Right. Well, we used to have just depending on the size property, a certain amount that we would put for just deferred maintenance but now as we are going into this type of – because of COVID and just thinking about collections more, we're just looking at what are your operating expenses are and just seeing what level do you feel comfortable having on the side, just in case you have collection issues down the road. So it is really driven based on what the operating expenses are of the property and making sure that you feel comfortable to be able to carry and cover your obligations.

[0:16:04.3] WS: What do you predict is going to happen over the next six to 12 months and are you all planning to be buyers or sellers or just sitting on the sideline?

[0:16:12.6] SR: Well, next few months I think definitely always looking for deals and opportunities. So keeping an open mind to see what prospects are out there and what deals we can acquire. If the situation is right and it makes sense, we could potentially be sellers but we are also long term in our thinking as well. So we just look for the best opportunities for our investors.

[0:16:36.7] WS: You know, Sonya, I believe that anyone that is successful in almost any business, especially real estate must have a high level of self-discipline and how have you

gained a high level of self-discipline and can you give us a couple of examples of maybe things that you are very disciplined about that have gotten you to this level of success that you're at right now?

[0:16:55.3] SR: Yeah, I think knowing what it is that you are looking for, trying not to be distracted by the many shiny objects that present themselves when you're looking at deals, knowing what your criteria are, are also very important too. So if you are saying that you are going to look at deals between 60 and 200 units that is a pretty wide range but you are not spending time looking at the 400 unit deals or not spending time looking at the 20 unit deals. Because they are not in the range and they're not in your wheelhouse. So being really clear about that is something that has helped me get focused.

[0:17:34.9] WS: Knowing what you know now with the experience that you have, what would you have done different on your first syndication?

[0:17:41.2] SR: I would have probably gotten to my second deal a lot faster because what I would say is that in the time that we purchased all of the deals at that time would have been fabulous deals where we are right now in. So price points and everything seemed high, they started going up when we got in and I would have just bought more. I would have bought more.

[0:18:13.0] WS: What is a way that you have recently improved your business that we could apply to our business?

[0:18:17.0] SR: I started doing better tracking with our deals with the deals that we are underwriting and reviewing and one of my JV partners have shown me this and I also adopted it using Trello, using Trello cards. It is a project management and you can put all of the deals into those cards and track them that way. This way, it is in a system you can have specific things that you are looking at and it is just a little bit better than Excel.

[0:18:44.6] WS: What is your best source for meeting new investors right now?

[0:18:48.0] SR: So being on podcasts like this one and continuing to network with people. There is some of the exposure that I've had, a lot of people have been coming to me or tapping

into me and just being open and willing to talk with people is I think really important during this time. So I am always more open to do that.

[0:19:13.9] WS: What's the number one thing that's contributed to your success?

[0:19:17.3] SR: I would definitely say that that is my family. Definitely my parents and my husband because they have been such – so supportive and such a foundation for me. So I would have to say them for sure.

[0:19:29.3] WS: How do you like to give back?

[0:19:31.0] SR: So I volunteer in a couple of organizations. I am here in Brooklyn and I volunteer at our local – through our local merchants association. We have a plaza that we created by Prospect Park and I volunteer for that. I also am the treasurer for a non-profit organization that focuses on diversity in commercial real estate.

[0:19:57.8] WS: Nice, well Sonya I am grateful for your time today with us and grateful for how you have given back and just shared how you have gotten to the level of success that you are at and one thing I am willing to just highlight to the listener as well, I just love to quote on how you looked at being laid off. You know you said, "Don't let things happen to you, but see them as an opportunity." And just through the support of your family, building an A team and some of those key players and who they need to be.

And just pulling in different skillsets from different people and then also use your super power of analyzing our financial statement and some tips that you have learned and that I hope helps the listeners, I know it will. You know as they are looking at those documents and analyzing their next deals and communicating with their property management teams.

So Sonya, thank you again for your time, share with the listeners how they can get in touch with you and learn more about you.

[0:20:46.2] SR: Okay, great. Well, thank you for having me. Feel free to reach out to me on LinkedIn, but please do let me know that you're listening to Whitney's podcast and that is how

you came across my name. You can also go to my website, bedrockreinvestors.com and sign up for our newsletter.

[END OF INTERVIEW]

[0:21:04.4] 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]

[0:21:45.2] 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]