**EPISODE 812**

[INTRODUCTION]

**[00:00:00] ANNOUNCER:** Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

**[0:00:23.8] WS:** This is your daily Real Estate Syndication Show. I'm your host Whitney Sewell. Today, our guest is Badri Malynur. Thanks for being on the show, Badri.

**[0:00:32.2] BM:** Thank you, Whitney. Pleasure to be here.

**[0:00:35.0] WS:** Badri is the co-founder and VP at Avestor Incorporated. A real estate investment technology platform that allows investors to build custom real estate portfolios. Badri has extensive investment experience spanning a large variety of assets, including real estate, stocks, bonds, cryptocurrencies, commodities, options, and angel investing. He has co-founded two startups and has extensive management experience leading large teams at a Fortune 500 company.

Badri, thank you again for your time this morning being on the show. And I'm looking forward to getting into your experience a little bit and just this platform that you've helped create that's helping lots of investors to diversify their portfolio. But get us started a little bit just with you, your background and I think that will help us to just dive into Avestor and what that is, and what that's doing for investors also.

**[0:01:26.6] BM:** Sounds good, Whitney, and thank you again for the opportunity. You've been doing a great job. I mean, you're a podcaster and I feel honored to be part of the show.

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So, I really believe in building a diversified portfolio of different assets. Real estate is just one piece of it and as you kindly indicated that I've invested in a wide range of asset classes. I don't know why real estate is often considered an alternative investment, I think it should almost be a main investment because it has a lot less volatility than the stock market. But we'll go with the traditional terminology. And I was in the corporate world about 10 to 12 years back. I've done a couple of startups. I run a technology training company. And right now, I'm part of Avestor, which is a real estate investment platform, which does precisely what I was trying to tell you, help investors build diversified real estate portfolios.

**[0:02:18.3] WS:** Nice. It's just interesting. I don't know too many people who have invested in that many asset classes. So, I think it's a great level of experience and a desire to be diversified. We've talked about being diversified numerous times on the show, whether we're talking about just multifamily across syndicators, and markets and things like that, but I think it's interesting to think about even other asset classes that are completely outside of real estate as well, sometimes that can seem intimidating to somebody that's focused on real estate. I've heard people say the same thing, Badri, about, “Well, you know, I want to invest in real estate, but I feel like it's really secondary.” It’s this thing, “I'll do it sometime.” I agree, it should be a main thing, I think we're investing in.

Let's get started about Avestor a little bit. What that does for investors and how it helps them to build more diversified portfolio?

**[0:03:08.2] BM:** Okay. So, the way I want you to think of Avestor is think of it like the Fidelity, I don't want to offend your favorite stock broker, the E-trade or Fidelity or Ameritrade or whatever, of real estate. We want to make real estate investment as simple as buying the stock. So, today, the estate investment is pretty complex. Yes, you could go buy real estate investment trusts, but they have a number of problems associated with it. We can talk a little more about that later. So, what Avestor does it allows – think of it like a salad bar, you go to a salad bar, I want some tomatoes, I want some green lettuce, I want some jalapenos. Now, I'm showing my penchant for spicy food. That's kind of the experience we bring to a real estate investor.

We the screen hundreds of syndication deals across the country and we preselect and pre-invest in a small subset of them. And then the investors can then cut them into small slices. Then investors can come and choose the size of the slice and what type of asset classes and build a diversified portfolio. I mean, I keep coming back to building a diversified real estate portfolio but that's what we are about. We are not about selling you one day at a time, but we are about kind of minimizing your risk and maximizing your revenue.

**[0:04:23.5] WS:** Nice. That's interesting and I look forward to looking into it myself and I'm sure many of the listeners will as well. As far as a platform like that, that investors are looking at, buying into, how do you or how does Avestor choose those syndication deals or are they also doing other asset classes as well or is it strictly real estate? And how do they choose the opportunities that they're going to invest in?

**[0:04:46.0] BM:** So, as of now, Avestor is focusing only on real estate. We may expand into other alternative investments in the future, and we invest in a wide range of asset classes types of properties within real estate. We invest in a wide range of states. We invest in self-storage, retail centers, multifamily. We are looking at senior living. We do have several student housings. And to answer your first question, we have built a mathematical model, we have over 10 years of experience, personal experience and investing in real estate and evaluating syndication deals. I don't even think of that as real estate investments. I have had a fourplex and triplex for 20 years. It's kind of in the back of my portfolio. I don't think about it generating great cash flow, and I've invested in some syndication deals, and one of my partners has done seven figures or several million dollars' worth of syndication deals.

What we have built based on our experience is a mathematical model. It's not about people, I mean, ultimately, there is some relationship involved, but it's all about the math behind it. And we take into account about 40 different variables. We look at the equity stack and I hope your viewers are familiar with a lot of this terminology. We look at the location, the target return. We even do a social adjuster assessment to make sure that the project is socially viable. And then once we put this through the funnel, and since we have data on hundreds of deals, we're able to compare to past performance, and then we pick the best deals, and then we pre-invest in them and then cut them into slices. That's kind of what we do.

**[0:06:20.8] WS:** Okay, nice. So, the investor is really gaining that experience or that expertise from you all to know that they're investing in a deal that went through that formula or you filled out this 40 details or whatnot that you all, from your experience have learned that's important. You mentioned like the relationship piece, and it's hard for a formula to calculate a relationship. But I would like to know, how do you all take that into account? I feel like the operator is more crucial than the deal and I feel a lot of times, how is that figured in that as well?

**[0:06:51.7] BM:** You're absolutely right. So, it's not just the operator, right? There's the location, and then how good the location, the crime rate, the unemployment. So, all of those are factored in. The operator, there is a little bit of subjectivity there, but some of that also, we tried to reduce it to a mathematical formula. We kind of look at the number of exits the operators has had, what was the average return on the exits? The assets under management. Now, don't get me wrong, we work with several crowdfunding sites and dozens of syndicators, just because a syndicator does not have an exit, we don't rule them out. But that reduces the number of points.

So, overall, different factors contribute to different point structure and the deal itself is very good and the syndicator does not have exit before, then it still will pass, because the overall points score would be better.

**[0:07:39.5] WS:** Yeah, there's just some human part there or components, I feel like they can't always be calculated. But no, that's interesting that there is a way to calculate a lot of that, though, depending on what their past performance is, assets under management, average rate of return, maybe across your portfolio. As a syndicator, how can syndicators use this platform for their benefit as well?

**[0:07:59.9] BM:** That's an excellent question. So, there are three or four ways we can work with syndicators. One, often syndicators do not want to – I'll start with the obvious way. We have some syndicators who actually come to our platform and invest as a passive investor, believe it or not because they want to be diversified too. I mean, they don't want to put all their money in their own deals. That practice will decrease, but you have anyone to build some diversification. That's the best way, the obvious way.

Then the second way is most syndicators, I'm sure that includes you too, don't want to deal with a lot of small investors. So, what we could do is we could combine a lot of the small investors and as far you are concerned, when I say you, I mean, a syndicator, you're dealing with one investor which is Avestor, but then these slices can be allocated in small slices to a bunch of investors.

And then the third way is, can always offer your deals to us. And if it passes, we will pre-invest in an offer through our existing investors. And the last way is a little more complex. Avestor, because of the experience of what we have done is a unique platform for creating a fund for yourself. Now, it does not make sense if you're just doing one or two deals a year, but if you're doing multiple deals a year and you find to be in this business for a while, there are some unique advantages in using Avestor as a platform for a fund, because one of the things which we do which no other software does is we calculate the time value of money.

Typically, syndicators take into account, let's say they raise money for one deal, and then move on to the second deal. But the way you can work with us is you can put some of your money, then you finally get an exit, the software calculates that your money was tied up for six months and gets you pro rata version of that. To the best of our knowledge, we believe that no other software does that. Those are the four different ways.

**[0:09:45.2] WS:** Nice. I just wonder like, as a passive investor, are they investing in a specific opportunity with you or is it more like a fund where they're going to put 50,000 in and it may be invested across numerous deals.

**[0:10:00.0] BM:** I'm glad you asked that. That is exactly or precisely where we are different from the other funds out there. In most funds, it's like buying a slice of pie. I mean, you get the whole pie, then you get a slice of it, you can't say, “I want this part of it, and I don't want this part of it.” Whereas with Avestor, you can. Our minimum investment is $25,000 and for that, you might be interested in more than 15 to 20 deals. And absolutely, the investor can pick and choose what deals they want. You can say, “Hey, I want this deal.” Or somebody from California may say, “I've got enough exposure to California real estate. I don't really want to invest in California.” Or somebody may say, “Not that we do a lot of that, we don't want any exposure to office space because of COVID or whatnot.” Right?

So, you can pick and choose what dates you want. You can pick and choose how much you want to invest. And here's the best part. Okay. We have built the technology and the legal infrastructure to combine all of these different K1s. As you probably know, a K1 is a partnership return you get for each syndication bill, and we combine all of this and we generate a single K1, which is huge. It doesn't just reduce the complexity, though I'm not here to provide tax advice, the way we have structured it, you can offset passive losses from one K1 against passive losses from another K1 so it gives immense tax benefits as well. So, that's kind of the value add out of the platform.

**[0:11:25.2] WS:** How does the timing work? I know like when we put out an LSA, you and I were partnered on a project or Avestor was going to come in on one of our projects and we put it out to investors. I mean, I know often, I mean, it's filled up with investors. Our commitments are full within hours which is a blessing and we were very thankful just for the desire there. But I just wonder how does that work? We said, “Okay, let's talk about partnering on a deal or using Avestor and letting some of your investors to diversify an hour in this specific deal.” What does that look like to work with you on that, and for your team or your investor to partner with us?

**[0:11:59.2] BM:** Okay, the way it would work is we would want you to send the full investment deck, the financial pro forma, and then we do a detailed analysis, I already told you that. It doesn’t take very long. We have available tools to bring it down to the initial evaluation of the data and it can be done within 30 minutes. And if you just fill in within hours, that's great. But we can respond within hours. And as far as you're concerned, you don't have to worry about our investors, right? Because Avestor, just to recap what I said, is investing as a single investor. As far as you're concerned, Avestor is an investor and then we deal with all the other investor communication. So, we can respond within hours of their data.

**[0:12:36.4] WS:** Nice. Okay. So, what about communication with investors? We’re communicating very often at least monthly, if not more, just how the deals are operating, we do distributions on a monthly basis and our investors love that. As far as like as a passive investor, investing with Avestor, what is the communication look like? If you're investing in a credit, if you did 25,000, and it's across 15 to 20 deals, what does that look like? How do I know what's

happening with my investment or with those opportunities? And how do distributions work as well?

**[0:13:06.0] BM:** I would love to show a demo of the platform, but this is not the forum for it. But you will see, we have spent hundreds of thousands of dollars. So, you log in, you'll get a progress report on each of the investments you have done. It's just like you login to a portal account and there you'll see each – you look at each individual stock and see how much it's gained, what kind of distributions we have got, and we don't take a single penny of the distributions you give, it's distributed to the investors [inaudible 0:13:33.3]. And then we also know that facility is not there right now, very soon, all the documents you provide will be uploaded to the platform so the investor can login just like investor portal, and can look through all the different documents they have provided.

So, as soon as you provide the documents, we will upload it to the platform. That's not quite ready yet, but it should be ready in a few weeks.

**[0:13:54.0] WS:** What are the cons for using Avestor?

**[0:13:57.7] BM:** So, the cons are, if you really believe in a deal, and you want to go, it's the lack of diversification. Diversification can be a plus or minus, right? So, if you really like the deal, then you should go invest in the deal, maybe putting $50,000 or $100,000 in the deal, maybe you will get much better returns in one deal, but that's one con, if you can call it a con. And the other con, I wouldn't call it a con, but something which you should be aware of is we charge one person for portfolios of $100,000 of annual fee, and 1.25% for portfolios below 100,000.

So, you're paying a nominal fee, but for that you're getting prescreened deals, single K1, and you get a huge amount of diversification. Honestly, maybe I'm biased, but I really can't think of too many other cons.

And the last thing I wanted to mention is as of now, and we hope to change that in the future, as of now, there's a 506(c) fund. So, it's open only for accredited investors. But that's true of many syndication deals also, unless it's a 506(b) fund.

**[0:14:59.1] WS:** I'm glad you brought that up, I meant to ask you, 506(b) or c, how that works a little bit. So, thank you for that. What's been the hardest part of this process of creating this platform and then just working with investors?

**[0:15:11.3] BM:** Part of it is explaining the value proposition. So, now we have kind of a two-step or another level of complexity. I mean, being a syndicator, I'm sure you have some regular investors who have invested in syndication deals. Not many people are familiar with syndication deals yet. When we tell them, we have invested in all these properties across the country, they say, “What? So, how many billions of dollars of assets do you have?” I said, “No, we don't have billions of dollars. We cut it into small slices. And there is this concept of a general partner and a limited partner.”

So, I'm sure you do a lot of education about what syndication deals are. Now, we have this slight additional level of complexity, where we are saying, “Okay, this is the fund, we slice it and invest in the deals.” So, then there are questions about where are the asset is structured, what’s the structure of the fund, LLC, the legal entity. So, that takes a little bit of explanation. But I'm pleased to say that we have gotten past the initial hurdle, and they're getting a fair number of interests from investors, especially because of the diversification.

**[0:16:11.0] WS:** Nice. So, I asked most guests like, how do you prepare for another downturn? How is something like Avestor prepared for a downturn or making sure deals are prepared for a downturn or operators, just for those past investors that are investing? How do you all look for that?

**[0:16:25.4] BM:** Excellent question. So, what we do is, I mean, you can never anticipate everything which can go wrong. The very first point is the diversification. So, you're investing as little as $2,500 per deal. And by definition, I would think that if you're putting $30,000, all 20 deals are not likely to go wrong, especially given the intense screening we do. That's point number one.

Point number two, we are attempting to invest in a little more into new construction. I mean, I'm not saying, we of course, do value add also. And we tend to focus on Class C+ or B or Class A properties now, just until we get past the – we don't know what's going to happen with the

stimulus, we don't know how long the vaccine will take. It's great news for humanity that we did get a vaccine, which is 90% effective. That's awesome but these do have distribution challenges, so we have to get past all of that. And so, some things we do is we try to go a little higher in the Class A Class B kind of range, though we do have some Class A properties as well. We also invest in multiple different types of asset classes. I already mentioned that, the self-storage, which does pretty well in building resolution times, historically. Hopefully, that still continues to be the case. And then we do retail centers, we always focus on essential businesses. So, we don't want a retail center with a bunch of nail salons and beauty salons. Nothing wrong with that. I fully support small businesses, but you don't want to be dependent on rent from that if it can be shut down. So, those are some of the factors we consider.

**[0:17:59.2] WS:** Now, what do you predict are going to happen, say, in the real estate market over the next 6 to 12 months?

**[0:18:05.8] BM:** We may go through some bumps down the road, especially because of gridlock. It's like the senate may be divided. I don't want to get into politics right now, it may take some time for the stimulus response and people are hurting. I mean, the COVID pandemic is raging as you probably know. So, I would say there may be a little bit of bumps down the road, but if you invest in solid properties, unfortunately, the recovery seems to be cliché. So, the people in technology and the upper class are doing fairly well. The stock market has recovered, though I know that's not necessarily a complete indication of the economy.

If you stay away from Class C, there may be more evictions and so on there. I think you'll be okay. And in the long term, I think multifamily, I think I'm preaching to the choir here, is a place to be. People need a place to live.

Look at the trends. The millennials don't want to buy a house. I talk to my kids and they say man, “I think I'm okay renting a house”, because they want to be mobile, they want to go to different places. I think real estate is a good long-term investment. It provides diversification from the volatility of the stock market.

**[0:19:16.6] WS:** Badri, you've been in numerous startups and have been very successful and you’re operating a successful business yourself. I believe anyone that is operating a successful

business must have a high level of self-discipline. How did you gain such a high level of self-discipline?

**[0:19:29.1] BM:** I am pretty organized with my time. We get up, I get up at 5:30 every day in the morning, I do yoga, pranayama. I don't know if you what that is, but it's breathing exercises associated with yoga, and then have this methodical and also significant option trader. So, I allocate a couple of hours for trading options, couple of hours for running Avestor, the business, and I think it all boils down to time management, really. I'm not saying anything profound here. But if you are very careful with the allocation of time, and then there's the four-quadrant thing, do the things which are urgent and important. Move the things which are not urgent and important away and don't let it suck your time.

**[0:20:11.1] WS:** So important. How did you learn to manage time or just time management techniques like that, that work for you? It's something which you develop over a period of years. I used to manage a team of several hundred people in a Fortune 500 company before. So, you'll have to manage time, and you'll have to be able to crystallize the essence of a meeting and get to the point. So, the corporate experience certainly helped. And I would say the corporate experience helped me even more than the startup experience. The startup experience does give you a different sense of time management, because you have a bunch of people doing the work for you in the corporate world. In the startup world, you have to roll up your hands and do things yourself.

So, you do learn a different facet of time management, where you will have to be able to move from one type of task to a completely different type of task.

**[0:21:00.1] WS:** What's a way you've recently improved your business that we could apply to our business?

**[0:21:05.7] BM:** So, what we have done is we have tried to get the process of a new customer, onboarding a new customer down to a size. Again, this is not anything profound. I'm sure most businesses, better run businesses do that. We keep track of everything – the common questions which a customer has. So, be proactively give answers to those questions and we try to optimize every step in the process of getting a new customer. So, those are things I think, see

the things that you're repeating over and over and again, and see what steps you can eliminate from the process and optimize the process is what I was saying.

**[0:21:44.3] WS:** That's awesome. It's something we're just always working on as well. What about your best source for meeting new investors right now?

**[0:21:52.8] BM:** At Avestor, we are going after the retail investors right now. But eventually, we want to work with registered investment advisors, RIAs, so that they can recommend Avestor as a platform and that way, we grow leaps and bounds non-linearly. So, I found participating in podcasts like this. I do give a lot of webinars. And I think, I mentioned that they have a great educational webinar on building a diversified real estate portfolio, which concludes with a brief demand on the investor, it's not about Avestor, it's about how you can build a diversified portfolio from a variety of sources. That's been a very good source of investors. And I do attend various conferences and participate actively in discussions and people appreciate the insights I bring. And then they say, “What do you do?” And, “Yeah, I'm a co-founder of Avestor, can we know about it?” “Yeah, sure. Happy to tell you a little more about it.”

**[0:22:43.8] WS:** What's the number one thing that's contributed to your success?

**[0:22:46.2] BM:** I would say, time management, and you'll say one thing, but I'll go ahead and give you three things. Ability to distill water is the most important thing from a complex set of data sources. And three, keeping track of business trends. I'm an avid listener of CNBC, and read the *Wall Street Journal* top to back. And it's really important to keep track of business trends if you want to run a startup. So, those are the three things, I would say.

**[0:23:18.4] WS:** And how do you like to give back?

**[0:23:20.5] BM:** So, we allocate a certain percentage of our income to give to charity and we volunteer in a religious organization. I'm involved in various charities. I'm from India originally, and I'm involved in various charities back home. To be honest, I would really like to do more and that's probably something I should fit into my time management.

**[0:23:42.3] WS:** Well, Badri, it's been a pleasure to get to meet you and a pleasure to learn more about Avestor and just how it helps investors to be better diversified and really providing great value to them, it seems. Tell the listeners how they can get in touch with you and learn more about you and Avestor.

**[0:23:59.2] BM:** So, the best thing is to go to our website, it's avestor.us. You're welcome to send me an email, my email is badri@avestorinc.com or you can also touch base with me on LinkedIn. And hopefully, you'll provide my contact information and then you put up the podcast on your books. And let me go ahead and give you my cell number for those of you who want to reach out to me. It's (503) 860-8374. That's the quickest way to get in touch with me. If I'm busy, I'll call you right back. I would love to hear from you.

**[0:24:35.0] WS:** Awesome, Badri. That's a wrap. Thank you very much.

**[0:24:37.8] BM:** Thank you, Whitney. It was great. I think you're doing an awesome job in educating people about real estate. Keep it going and really welcome the opportunity to be part of your podcast.

[END OF INTERVIEW]

**[0:24:48.0] 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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