EPISODE 834

[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 George O'Brien. Thanks for being on the show George.

[0:00:31.8] GO: Thank you.

[0:00:32.6] WS: George and his wife, Angela, went from two W2 jobs with a few single-family homes, to ownership in nearly 100 units and another 150 plus unit in joint ventures. They just relocated to Florida after setting that as a goal to occur before 2025. Congratulations by the way.

George's focus now is scaling his property management company, Progressive Property Investments and growing his network to start syndications. George, welcome to this show, I love hearing stories like that, it's like, you know, most of the listeners and many of us have been in those shoes at one time or another or, you know, looking forward to being in your shoes now, making it and setting that goal and making it happen.

Not everyone sticks to it, you know, and gets to that point where they accomplish that goal but I think there's some key things initially that need to happen when you're thinking about those goals and how we plan for those things that I think you can help us with. Give us a little more about your background and let's dive in and help the listener to learn from how you've made it happen so they can do it too.

[0:01:38.1] GO: Yeah, I've always kind of been around real estate and construction, you know, growing up in South Central Pennsylvania on a farm, doing stuff with my uncles, learning different trades, the old mindset that when you graduate college, when you get your first real job, you're supposed to be responsible and buy your first home and you know, we did that and I was a bachelor at the time. Had some friends move in and they were paying rent per room and I was like, "Wow, this is pretty great," and didn't really realize what I was doing at the time.

And you know, fast-forward a couple of years, met my wife and the friends moved out and we realized we wanted to have something a little bit larger and we bought it pre-recession, the first house and during the recession, the second, and we knew that we weren't going to get the return on the smaller home, we kept it as a rental. Fast-forward again another five years and we are in Western Pennsylvania, had the opportunity to come out and work as an executive at a local YMCA, we were doing good, we're keeping both those rentals, single-family rentals, three and a half hour's away.

That conversation everybody has at the end of the month, the monthly budget meetings and, "What can we do to cut expenses? We have all these goals to vacation here and there and home improvements," and I just said, "Listen, instead of focusing on the expenses, let's focus on how we can generate revenue."

We took some equity out of our home and a line of credit and bought a couple of duplexes here in Western Pennsylvania and again, that was in the spring of 2016. We went at it, full-throttle. Initially, I was doing a lot of the work myself but we got to the point from a scaling, where we were able to hire some subs and then eventually hire a full-time operations manager to help us with those assets.

[0:03:22.0] WS: Nice, that's incredible. I want to dive into that so you can help the listener even more. The goals that you set in the beginning and then talk about planning, how you planned to reach that goal, some of those things.

It's so crucial in the beginning if you can't see those things, you can't see that end in mind and I know for myself, even for my family, it was so important because it took me away from them for a long time, you know, it took so much work on my part. While they were working, you know, as well, but they had to understand that Dad was working towards something and had to paint that picture for them also.

Tell me how you did that and then you plan to get to that end-goal.

[0:03:56.7] GO: Very similar to you, we were, you know, both working W2 jobs and you know, your nine to five, eight to five, eight to six and then in the evenings and the weekends, first thing in the morning, I was out at the rental properties, doing our thing and it was not great and we knew we needed to get to a certain number of units, based on the cashflow that was kicking out, for us to hire subs.

We also just knew that the money was coming in but the money's immediately going out and wasn't like, you know, you buy two duplexes and the cashflow is just great. If you want to continue to grow and scale, that cash comes in and the cash immediately goes out and then some, and you just need to have a conversation.

I would say to the listeners is to really have an understanding, you may have a goal, monetary goal or number of units, but really, the most important thing would be to have the goal of making sure you're on the same page with your partner. Whether it's your wife or your significant other or it's your actual business partners. To truly understand what the vision is, knowing that there is going to be times where it's uncomfortable because one of you is out on the job, one at the units and the other one's at home taking care of all the kids and the normal day to day household things. If you're pulling your own resources and they get funding on some of these projects, you know, things may get tight from time to time and as long as you have your partnerships in place, your family in place, you know, everybody understands what's going on, you should have no reason to be successful.

[0:05:23.8] WS: I love that you brought up, maybe you have a business partner that you need to be on the same page with but your spouse is definitely a business partner, whether they're in the business or not. It affects them so much. Tell me a little bit about that process? While doing that, working so hard, two W2 jobs, you know, making this happen, tell me a little bit about keeping that end goal in mind and you know, maybe communications or you know, how you all communicate. Maybe some things that are very important for the listener to be thinking about as they're fixing to dive into this and, you know, thinking about the toll it's going to take on your family as well?

[0:05:56.0] GO: Yeah, just have very clear expectations, whether you do it our route, the route we did it was, you know, the BURRRR method, you know, we didn't even know what the BURRRR method was, buy, renovate, rehab and refinance, repeat.

Or you do it through the syndications, just have a very clear understanding of let's say, for the syndication pieces, you know, how much capital we're comfortable with, have in working force, how much we want to hold back in reserves? Have them part of the process, if they want to be involved, if they don't, don't drag them kicking and screaming. You know, just make sure you have boundaries and for us, initially, I was finding the properties and sitting with her and vetting them and running through the numbers and that wasn't something she was really too excited to do.

I identified that sometimes you have to move quickly so we had an understanding that I was allowed to pull the trigger on any property I wanted, as long as it fit our initial criteria within a certain market. Anything that deviated from that, for example, anything that deviated from that, we'd have to have a conversation about.

For example, most of our stuff was residential and we came across a really nice commercial mixed-use, a little bit higher price point than we were used to and we sat and analyzed it, looked at it and made sure we both were really comfortable with it before we moved forward. Before we partnered with any other investors, we sat, we wanted to make sure that she was comfortable, that we all had the same philosophy and methodology on how we are going to manage those, what they're going to look like, so we're on the same page.

But also, for her to have involvement, she was really passionate about the look and the feel and the flow of a property. Early on, she would go into the properties with me and look at the layout, how we're going to – the functionality of those things and also the color scheme.

From there, pretty much the entire portfolio is geared around, centered around, designed around a certain color, in a certain style. We rinse and repeat. If there's anything that kind of deviates from that, that we think should be looked at and then we involve her in those kinds of concepts.

[0:07:57.2] WS: No, that's awesome. I like how you talked about too, you created criteria earlier on for buying, for purchasing properties that you both agreed on. Just agree that if it was something different than that, that you would have another discussion. I think that's important because those big financial decisions affect your spouse or your business partner in a big way, no doubt about it.

The interview, you talked about like non-profit to significant profits in four years. Elaborate on that a little bit?

[0:08:24.8] GO: You know, we had the two rentals in south central PA and moved to the western part of Pennsylvania just outside of Pittsburgh in the summer of 2012. Loved my job as, you know, a non-profit executive and you know, the W2 was great but we knew that we wanted to get to a certain point and everybody's asking, a lot of banks were asking, "When's it going to be enough? What's the number?" I was like, "Really don't have a number."

Initially, I wanted to get to 88 units so I could hire a property manager. How I calculated that was based on the income that those units should generate and then the 10% for the management, what that look like – I didn't have to be running to Lowe's and Home Depot to pick up materials for the guys. I didn't have to vet all the tenants, those sorts of things and then, the next goal was, you know, replacing the W2 income and then from there, it was just really looking to identify partnerships that we could form and assets we could add to the portfolio.

Now, we pretty much tripled what the W2 used to be and it's on our terms and it's, the nice thing is it's an asset that's going to continue to generate those things. I always use the analogy and I tell people that are wondering about doing real estate, "You can make money while you sleep. You don't actually have to be clocking in the clock and the money is coming in from real estate, 24/7, 365."

[0:09:46.7] WS: It's an incredible lifestyle change, right? I mean, or mindset shift that has to happen though even before the lifestyle change happens. What are some ways maybe the plan changed while you're getting to your goal that maybe didn't expect?

[0:09:58.9] GO: Things changed just based on things that happened at work, you know, initially, we both were happy in our W2 and my wife shifted her job because she was not as passionate with her previous employer is as she wanted to be and I said "Listen, being passionate about what you do is the most important thing. Go ahead and you know, take a step back, re-evaluate things and go and attack, add in kids."

We have four children and when we first started, we had two. It's a lot to commit to, you know, for me to continue to be growing the business like we did and for me to ask her to take on all that burden, it's not possible, that's not fair.

Those sorts of things, you know, different time constraints pointing one way or the other and market conditions, you know, especially now with COVID but even prior to that, you know, we got into a market where there wasn't a whole lot of competition and then all of a sudden, people started seeing that there was an opportunity and that really impacted the returns.

You just gotta be extremely fluid and nimble and being able to attack each day differently, one day to the next.

[0:11:07.1] WS: What's the hardest part for you as far as getting to your first syndicated deal as far as making that happen?

[0:11:13.0] GO: Initially, I was very comfortable getting in and renovating the properties, doing them all myself, just based on, you know, my passion and my background and experience level and then, you know, there's a little discomfort when you start working with partners, you're not 100% owner. I'll say that to your listeners is, the thing that I say constantly is, "A percentage of something is better than a hundred percent of nothing."

Again, going from doing everything ourselves, 100% ownership to then joint ventures, you know, there's little discomfort there but the syndication piece, which is something I knew that I wanted to get to because it's a lot of work to take down a four-unit property, a 20-unit property. Our largest assets right now that we own is 22 units and that's a lot of work. Whereas if you can get into a hundred, 200, 300 plus unit property and you still own essentially 50, 60 units of that through syndication, that's really, truly how you scale.

Again, it's more of a – you've never done it before, experiences you don't have. It's just really the – it has to be a mindset thing, that's why about two years ago, I decided to invest in myself and go to a boot camp, we brought our operations manager for PPI down to that as well to learn. He knew a lot just from operations but he didn't know everything that I did. That was a good platform for him to be at. For me, the only two reasons I went. One, the network and two, to learn more about syndications. Since then, that's been, I'd say, from a professional development time, it's been about 60 to 70% of my development time has really been focused on learning more about that. Joining presentations where people are asking me to be part of their syndication group, those sorts of things and we'd come back and get excited, "Oh, this is a great deal." You sit down, look at the numbers with my wife and say, "Hey, is now the time to do that?"

There's been some great opportunities but again, we also look at what we're able to do from a joint venture side. The margins we're getting west in Pennsylvania and the opportunity for us to both kind of double-dip, you get an opportunity to be part of a deal but then also have the opportunity to be the property manager for that, which is great.

We've kept syndications in our hip pocket knowing that we are going to do it eventually when the right deal comes about but right now, the joint venture seems to be a little bit more profitable for us because we have a piece both in the property management side and also the asset that own the balance sheet.

[0:13:34.5] WS: Speak a little bit to starting your own management company and maybe why you did that versus third party?

[0:13:40.2] GO: Again, some of the background, you know, I was good with my hands. We were already doing the work, didn't have the money initially to hire contractors to do a lot of the work for us. We wanted an extra layer of liability coverage there, you know, that way if there would be something that happened at the property, it would fall into the property management before it comes back to the ownership group and then really, the one reason why we really sped it up, as far as building of the business was when we started doing some joint ventures.

You know, everybody comes in, you know, a third, a third, a third, everybody owns equal shares and the other people are going to be somewhat passive and you know, we're going to do the financials but I am going to be the one to turn the wrenches, doing work orders, putting tenants heads in beds, you know, therefore, then you know, you should be compensated for that.

Then it just really grew organically from there and it's been great. Now we do some third-party stuff with other investors, which has been really helpful with, through networking and through being on podcasts like this one, we've been able to pick-up like seven or eight different investors from all across the country that, you know, learned our story, came to Greensberg, where we used to live and were most of the assets are, which is in Western Pennsylvania.

Others have bought properties from us sight unseen so I don't see just based on, you know, some of our track record and the numbers we put together.

[0:14:56.7] WS: Nice. George, how do you prepare for a downturn?

[0:14:59.8] GO: Holding as much cash as possible. Being mindful that when we build our proformas, when we are analyzing a deal, we're extremely conservative on the revenue side. We don't ever factor in the rent bumps. I think that's how a lot of investors are going to get themselves in trouble is that they have been super aggressive when they're foreseeing this future rent bumps.

And then we're extremely aggressive on the expense side. We fund when we build our proformas, we put 10% vacancy and also a 10% maintenance reserve and on a monthly basis. Our typical vacancy is around two and a half percent, so extremely conservative on the revenue, extremely aggressive on the expenses and seem to shake out extremely well when the results happen.

[0:15:43.3] WS: What do you expect to happen in the real estate market over the next six to 12 months?

[0:15:47.4] GO: I think it's going to vary depending on the market. You know, one of the things that we've seen, you know, historically in the rust belt, the Northeast is yeah, you don't see a crazy appreciation play. Those properties tend to stabilize pretty well and the rents also hold pretty true. It is not a sexy market by any means. You know, you don't have the population growth, the job growth, you know, of some of the southern states and even out west. But you do see some strong rents that are kind of at market rent. There's been speculation with that so it's tough to say.

I think there is going to be some downturn. I think there is going to be some larger assets that are going to become available. I think the last five years where people are paying crazy money for properties just to have them and then they promise the moon to their investors and when they can't deliver, you know those notes are going to be called.

I think theres opportunities then for you know, folks that have been a little bit more conservative and have the capital set aside for those opportunities to really attack it but again, I think it depends on the market that you're in and the type of asset you have. For example, we have a pretty stable portfolio. We're not heavy on college, we're not heavy on section eight, low income. It's relatively stable. We have about 25% of our portfolio is college.

When I say college, it's not just undergrad. It's graduate and post-graduate. We consider all of those college. If you're 80% college, you could be in a tough position right now. We have seen it in different markets where we're at. I think it is really smart for people to have that very balanced portfolio. If you're a 100% real estate or residential that's great but then don't go all one-way or the other.

[0:17:23.3] WS: Now that's some great advice right there George, be diversified, right? George, with four kids, you and your wife [inaudible 0:17:29] work in W2 jobs, making the shift and moving to Florida, doing all of these things and growing this business to building a property management company as well, you know you're definitely someone who has a high level of self-discipline and I like to ask people, you know, how did you gain that high level of self-discipline?

Because I personally have seen just the benefits after you start developing, you know, more self-discipline, the things that start to happen, how did you do that?

[0:17:53.9] GO: As a young man, I was a student athlete and I always strived to excel during athletic season so I mean everything was very structured. I like routines, so pretty much every day is the same with routines. You build in time for, you know, all of the different aspects of your business and your family and you build that in there and know when the kids come home from school, you might have a little bit of things to finish up but the most important thing is to spend time with them.

That's why I get up every day and do what I do, is to provide for my family and to be able to spend time with them and when they are here, I want to be fully-engaged and when they're not or when they're in bed that is when it's time to get things done. I always succeed as well when there is a lot of structure. My calendar is, everything's built in and every single piece of the operation that we need to do whether it's working out, whether it's payables, receivables, working on marketing for the business, all of those things are structured out in my calendar.

[0:18:49.8] WS: That's great. Are there a couple of daily habits that you're disciplined about that have helped you achieve success?

[0:18:54.7] GO: I think so. I think a lot of that is to get up and not jump right into your email, to be able to have a cup of coffee and kind of reflect on what the day looks like, have a conversation with your significant other or your business partner, the person who you work so hard to give a great life to and that's really helped me over the last couple of years of getting up and when we were both – I was working a W2 job and also growing a portfolio, I was getting up immediately checking emails.

Sometimes depending on what those emails look like, it could really set your day off course. So I focus on getting up and trying to just focus on us and then getting into it and building in time for, to take care of yourself whether it's reading or listening to podcasts or to work out I think is also important. It's something that I have been very lax on, is taking care of myself. It's always been about grow-grow-grow and the family and not myself.

Starting next week, I have every day built into my mid-morning to go work out and take care of myself and I'm super excited to see that through.

[0:19:55.5] WS: Good for you, that's awesome. I appreciate you elaborating on that and just the structure is so important. I could not agree more, even not looking at emails till like a specific time in the day, later in the day hopefully or later in the morning because you can, it can just blow your whole morning and mess it all up when you see something, you know, instead of getting your mind right first thing.

[0:20:15.5] GO: Sometimes you know, you have something in your calendar and stuff comes up you just can't get to it, then just move it. Don't skip it to another day, another time we had some openings. I typically leave Mondays and Fridays completely open for catch up and to build in long weekends if we want. Monday or Tuesday, Wednesday, Thursday are just slammed non-stop with activities and meetings but those others are nice cushion days for everybody.

[0:20:40.8] WS: I like that, then you are not so stressed because you know you have time where you can get these other things done and I love how you said, "Well, just move it. You already have that time open, you know it's there, you can move it there, you don't have to stress about it right now and we'll get that done later. I know we have time for that." Tell us your best source for say meeting new investors right now?

[0:20:59.9] GO: The meet-ups are great, you know when you're allowed to do them in person. That's how I met three of my partners, is just going to meet-ups, being sincere in who you are, don't be fake and start a conversation. I had a friend of mine who'd seen me on Facebook that I was in grad school with and we struck up another conversation. He's like, "I see you real estate," and I told him what we're doing, he couldn't believe it and he connected me with another colleague, a friend of his who lives in Atlanta, he lives in Texas and be yourself. People reach out to me and they see me on Facebook and we schedule a meeting and I just listen and ask them what they're working on, they ask me what I'm working on and give them time to help them through things and I'd say in the last month I've had probably 25 conversations with people that I've never met. It's just through social media and I just tell them, "Hey, I am here to help you," and they say, "I'm here to help you too."

I started relationships that way. Yes, so go to meet-ups and just be responsive and be there to help people and don't have an agenda. Just be yourself and be genuine.

[0:22:04.2] WS: What's the number one thing that's contributed to your success?

[0:22:06.8] GO: I was always raised to be kind to people. It takes no effort to be kind. So again, when people reach out and they have questions I try to give them the opportunity to talk with me and to be kind and people can see that I am pretty sincere and it's worked out extremely well. You know there's times where you need to be not kind but you know, you identify when those are and just be good to people and it all tends to work itself out.

[0:22:32.0] WS: How do you like to give back?

[0:22:33.4] GO: Well, we have always given back to local charities and non-profits. We think it's extremely important. We think a great community has a very vibrant non-profit sector to make differences in people's lives and again, I try to instill a similar motto to the kids, our children. You know, we give back monetarily, we give back in some volunteering efforts. You know, at least where we previously were, we're looking forward to getting involved in that here.

But you know as far as giving back, just being there to help people with anything they might need because I believe in karma and that is what the things that tend to work themselves out on the backend.

[0:23:07.9] WS: George, I appreciate your time today. I am grateful to have met you personally and just expose you to the listeners too, just a great story. Congratulations again on your success for you and your wife, Angela, being able to make this happen, leaving your W2's and getting to that vacation home, which became a permanent home, what, five years earlier than your goal? Congratulations on that, it's incredible, great story of that determination and that it can be done. You had a growing family just both of you working so hard. Tell the listeners how they can get in touch with you and learn more about you?

[0:23:38.5] GO: Facebook and Instagram, our website is progressivepropertyinvestments.com. My cellphone is listed on the website. Our Facebook page talks a lot about, you know, what we do as far as renovations and working with investors, the website is more geared towards you know, end-users, residents, but at least it gives everybody opportunities to see the types of properties we have out there but I am here to help anybody, whether you're a seasoned investor and you want to learn how we started a property management company or you're a newbie and just trying to buy your first one with a line of credit or you're going to house hack for a number of years. I am here to help anyway I can because I feel that that is how we are striving in this real estate environment, is through teams.

[0:24:22.9] WS: Awesome George, that's a wrap. Thank you very much.

[END OF INTERVIEW]

[0:24:25.6] 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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