

EPISODE 843

[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]

[0:00:23.9] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Prashant Kumar. Thanks for being on the show this morning, Prashant.

[0:00:32.0] PK: Thank you so much for having me, Whitney. Appreciate it.

[0:00:35.1] WS: Yeah, our pleasure and Prashant has owned single-family homes, multifamily, and has about 100 units in his personal portfolio. He's been involved in multifamily projects in the GP capacity for the last five years and did 1,200 units in 2019 as a general partner. He brings value by removing redundancies in the process and by meticulously underwriting deals. He plans to do more syndications and multifamily and assisted living spaces in the future.

Prashant, welcome to the show, give us a little more about your background and syndications and your focus there and let's dive in.

[0:01:07.0] PK: So, Whitney, thank you so much for having me again. Basically, I come from a very humble background. I come from India. I came here in 1998. I'm a technologist, coming from a very good, one of the good institutes, good school from India. And ever since, I've been involved in technology and management side. You name it, you now work with life sciences, bigger companies. On the technology side, and on the management side, so I have managed people across the globe sitting remotely, whatever.

That kind of tells me, I mean, tells you also that I have had very good paying jobs all my life and the only thing after 15 to 20 years, I started realizing the day I stopped working, the day I don't work, I don't get paid for. So, that kind crept into me that what will happen when I don't want to work anymore. So, it's sort of a golden handcuff, you have read it, Robert Kiyosaki has said, it is like the jobs are really a golden handcuff. And at that time, I realized I have to do something, I have to get into something where, which is more meaningful, number one for me, and for the society, and I can make some living out of it, even if I'm not working.

So, that's how I started, got involved in real estate. One of my friends, my brother-in-law actually asked me to get into real estate and I started buying single-family homes, like everybody else. I had a mentor and I bought three single-family homes in four months, and soon I realized that it's not worth my time because it was taking me too long to get the loans and stuff on those single family.

Long story short, I mean, I could have cut the check for 100,000 the more time I spend to get \$100,000 loan. It was not worth my time. Then I realized, listen, I've need to get multifamily and I started looking for multifamily at a deeper level and basically within the same year, I bought a multifamily for myself. It was such an exhilarating experience for me that I closed my multifamily in 18 days, you will not believe it. Eighteen days, I spent half an hour sending my personal financial statement to the bank and my schedule of our real estate to the bank. The bank looked at my numbers and they were so happy and they cut the check. I mean, boom.

[0:03:39.2] WS: That was your first multifamily deal?

[0:03:41.2] PK: That was my first multifamily deal in Texas. So, from the day I saw the property, the closing was within 18 days. It was like, boom, man I can do this thing over and over again and create some cash flow for me. But like everything else, everything is limited in this world, right? I mean, you have limited amount of money, how much can you put down? How many of them can you buy so to say, right? So, then, I started going around, started to learn how can I help others and use others money also at the same time. So, that's where I got in touch with syndication, idea of syndication, started going to [inaudible 0:04:20.8], Jake & Gino, you name it. I was there there and I have seen you there all the time. Met you there, in person.

That's how I learned syndication. I've never had like a real mentor, so to say. I did attend a couple of boot camps here and there. But that kind of gave me the motive to do more in syndication. I think that year was very crucial for me. I bought some small single families to multifamily to syndication and the first syndication deal I got, involved in, was a 500-unit deal. So, I mean, it was a journey that year for me –

[0:05:04.2] WS: That's pretty eye opening, isn't it?

[0:05:06.0] PK: That is pretty eye opening. That's how I started and ever since, it has been going okay. I did, maybe four or five deals, the smaller deals, which we did for ourselves, we bought it, we fixed it, we sold 40 units, and we bought other assets for myself – 72 units later on. And then I realized, there's something else I want to do in my life, which is from my background and all, I always lived with my grandparents, took care of them, until they moved on, from this world. So, I had that feeling that I'm not doing something – I want to do something better. So, I started exploring assisted living space also. So, yeah, we started doing that in 2019. We bought we assisted living businesses.

[0:05:57.8] WS: All right, well, I want to get into like, why assisted living, and some of that in a minute. But I wanted to ask you too, myself also started with small multies, and then eventually learned about syndication business. And I'm like, “Okay, wait a minute. This just makes a lot more sense to me.” Because you can just scale so much faster, you can help so many other people, and it's really just a team effort, as opposed to looking for more single-family homes, and then running out of – how many loans you can get or all those things. But what do you tell people because it's often that people will – it's just that mental block that tells you, “I've got to start with single-family homes. I've got to start there and we'll get bigger and bigger and bigger.” Do you tell people they should start that way? Or do you feel like people can start directly in the syndication business?

[0:06:42.7] PK: I don't see a reason why anybody should start in single families or in a small multifamily. There is absolutely no reason. I mean, it's all mental game. You think that you're going to learn this, and then I'm going to learn more. Why don't you aim for the bigger? Smaller things will automatically come in place. That's how I live my life.

Yes, I started single family because I didn't know anything about syndication. I didn't know about multifamily. But I didn't waste a lot of time in single families or smaller multifamily. I jumped within one year into bigger syndication. Yes, it gave me some confidence, whatever, but that was not needed. I mean, I could have saved that one year of my time to get into multifamily to begin with. There is no reason absolutely for one to start buying a small piece of land, and then a single family and then a small one. There's no reason at all.

[0:07:39.7] WS: I was hoping that would be your response. I knew it probably would be, because that's mine, as well. You don't have to start small, it's such a mental block and a lot of people were trying to tell me that I should start that way or continue on that path and scale slowly. We didn't do that and we didn't have to, obviously. So, I appreciate that. I just love the listeners to know, you don't have to start with that duplex or it's great to get started one way or another. But however, it doesn't have to be a small multifamily. You can get in the syndication business.

[0:08:09.4] PK: Because it is more of more of a relationship game. It is a bigger deal, maybe \$5 million deal, maybe you don't have the capacity to think about it, but there are a lot of partners. I mean, you don't have to do the whole deal by yourself. You are part of that deal. So, first couple of deals are more of a learning thing where you have a smaller piece of the pie, rather than having the whole deal to yourself. So, think of a bigger multifamily of maybe what, \$5 million, having a 10% or 20% stake in that rather than having a single family which you own it for yourself.

[0:08:46.3] WS: So, what's been the the bottleneck or the hardest part for you, as far as the syndication business?

[0:08:53.4] PK: So, in syndication business, there are two things. One is the deal flow, and second is investors. So, these are two paramount things. That's it. That's where the buck stops. The deal flow is very important and basically, investors, continue to warm up your investors, that is very important. And those things have to go simultaneously, all the time, always.

Now, deal flow, I mean, we have seen in last two years, the deal flow has become very, very difficult and a lot of people have jumped into syndication business, for obvious reasons. People have money and they wanted to earn more. So, to me, the biggest challenge is a deal right now. Once we have a deal, I mean, we are working on our investor lists and things like that. But deal flow definitely is something that has been the biggest challenge.

[0:09:45.2] WS: So, what's something you've done different recently to fix that or to help that, your deal flow?

[0:09:51.4] PK: So, for deal flow, we do multiple things. We do contact brokers. We have broker relationships. That's number one. I mean, that's where the deals come from. Brokers are the source of your deals. Secondly, we have some direct marketing also and then we have cold calling, too, and some Facebook ads, our ads basically. So, you have multiple channels, so to say, multiple marketing channels. One is broker relationship. Number two is direct marketing, direct yellow postcard marketing to property owners. Number three, voice calling, cold calling. And number four, Facebook or social media marketing to attract these mom and pop owners. I mean, mom and pop owners, those who have less than 100 units, they sometimes tend to sell it off market. Somewhere in the back of their mind, they have the inhibition that they may be able to save that 3% or 5% that they give it to a broker.

We approach that segment of less than 100 units to direct marketing and cold calling. And then we have, of course, social media, Facebook ads, and Google ads. These are the things, we work from multiple directions to find the deal for ourselves. And the most important thing is, your friends in this in this business. Everybody you talk to, you are creating a relationship with. I'm talking to you, I'm creating a relationship with you. In terms it's not in your wheelhouse, you're going to send it to your friends. "Guys look at this one. I cannot do it. I'm too busy. Do you want to partner with me?"

So, that's the most important relationship. Networking is the most important aspect of the business too. So, I mean, we have that link from all perspective. There's no rocket science, as long as you do your marketing correctly, as long as you have your formula and one or two brokers in my list, new brokers in my list every week. So, you are continuing to build that relationship with the brokers.

[0:12:00.1] WS: Which avenue has been the best use of your time? I know you mentioned like, obviously, keeping those relationships with brokers, which is so crucial, but then the phone calling, ads on social media, different things like that. What's been the best source or what source the most deals?

[0:12:14.4] PK: The best source of deals is my relationships in this industry, networking with other syndicators, that is the number one source. Most of my deals, 99% of my deals have come from them and then, if I have to rank them, networking is the number one, then brokers, then direct marketing. Direct marketing, the yellow postcard, I use yellow postcards, or cold calling basically. I have not tested the social media yet. I mean, we plan to do some more social media. I have not seen the response from the social media from that perspective. But we do it anyway. I mean, unless you put some budget together, unless you spend some money, how would I know that it works or it doesn't work? So, networking is on the top.

[0:13:02.3] WS: That's awesome. I love that answer, too. And just, you know, because we stress so much just about the relationships and networking, and thinking about others and their business as well as your networking. I love that answer.

I know the equity raise portion has really been your superpower and I thought, we could spend a few minutes on that and you could probably help the listener and myself just think about our process, but ultimately how you've been successful in raising equity? what does that look like in your business?

[0:13:30.3] PK: Yes. So, equity raising is definitely, when I started equity raising to begin with, it was from the friends and family members. I mean, the first deal, you don't know anything, all you do is you put your money in, you go to your friends, you go to your phone book and start calling people. But then you realize that this is not the world. The world is big enough. Everybody has money. So, important thing is, you have to educate people outside your network. So, for that matter, I created this portal, myrealtygains.com that's sort of a portal where I educate my friends or whomsoever, folks who come in. It's a seven-day email course which I have created for them to understand the fundamental benefits, fundamental reason why multifamily, passive investing, can create wealth for them.

The goal here is not to – yes, in the end, maybe, they will invest with me or with homes, it doesn't really matter. So, we created this platform, and there we have a passionate passive investor club. And the sole purpose of that club is to basically make sure that people do get educated about the passive investing. That's it. I mean, there's no other purpose, myrealtygains.com/ppic, passionate passive investor club.

From there, as folks know more about passive investing, fundamental benefits, I can talk about the benefits also. But that's how I started. There's sort of a funnel. Those who want to learn, they come here, they muddle around, and then you are giving them more information on a regular basis. And slowly, they get settled down in a couple of months down the line. This set up a call with me, you talk to me, and then when time comes, if we have a deal, we send them the deal. And if they like the deal, they invest with us. Simple stuff, but meticulously done. We created this portal with a lot of reports.

[0:15:37.3] WS: Nice, so you've created a way to really serve others and to educate them and for them to have a better understanding of passive investing. And then if they want to invest with you, great, if not, they've learned a lot, and maybe they will in the future. I've had that happen numerous times. So, it's interesting how you've built your base of investors through that, but through a way of serving is always best.

But also, before we get too low on time, I wanted to ask you too, I know you've done multifamily, and now you're focusing on senior assisted living, and I thought you could just elaborate on that a little bit. Why and just give us some background.

[0:16:13.1] PK: Yeah, I was telling you before we started the show, the deepest thing in my life is I come from a very serving attitude. I always wanted to serve others and probably because I always lived my life with my grandparents and parents, and took care of my grandparents until the end, until they passed away from this world. So, I always had the desire to help seniors somehow. I still connect. My cab driver, I still help him. He has been helping me forever. Just from that attitude. So, assisted living is helping seniors basically, give them what they are missing out in their lives, social life, entertainment, taking care of them well.

Yes, it involves money and money comes obviously, but where I come from, it's about helping, helping somebody. And that's how I started. I learned about it and I got in connection with the operator. And the operator friend the partner of mine is also from the same mental attitude. We rarely talk about numbers. We mostly talk about what can we do better to serve seniors. So, we bought certain assets and I don't even know what to call assets. These are homes, senior homes in California. We are in the process of buying few more and we want to continue to expand that a little bit more from a very humble desire to serve.

[0:17:41.1] WS: Prashant, how do you prepare for a potential downturn? When you're looking at, I know you meticulously underwrite, can you give us some examples of maybe how you prepare for a downturn, whether it's multifamily or senior living?

[0:17:54.2] PK: Senior living, yes, we do face some challenges, like in COVID. We're just spending too much time trying to do the COVID testing and things like that to make sure not even a single – we never had an incident in last nine months for COVID positive staff or anything. So, we are very, very careful, for obvious reasons, because we are in that kind of business. We are always very, very careful on that side.

But on the multifamily, the important thing, the end of this thing all about, the important thing is to buy right. I mean, right now, the market is so high, it's always –in my mind, we have taken a step back in 2020. We have not bought any multifamily deal, unless I find a deal which is at a discounted price. That is a piece. I mean, I don't want to burn myself and my investors, the important thing for us is to take care of investor's money better than my own.

It's very easy, if I make a mistake, where is it going to go next? So, we are just being a little bit more careful, trying to not buy at an inflated price. I mean, we do not know how the future holds and I'm just being very honest. I'm not trying to be flashy here or salesy, or let's go buy it for cap, while you don't know whether the caps are going to go up or not. So, unless I find a distressed asset or an asset where I can get a discounted valuation, I'm not jumping on to the deals just for now.

[0:19:27.8] WS: On that same thought, and I can I completely agree. None of us have a crystal ball. However, I always like to ask, especially an operator like yourself, just what do you predict to happen over the next say, 6 to 12 months just in the real estate market?

[0:19:40.6] PK: I mean, like anybody else, if you read there are many, many more intelligent people in this world than me. And you know, you have read all the reports in next three to six months or next year or so, you see something coming. I mean, this never happens, the things which are on the top, if there is a hill like you see behind me, in the picture. If it is going up, it is bound to come down somewhere. It's never going to be going up and up and up. I mean, it has been the journey for last couple of years that it has been going up and we have always seen it, that it is bound to come down somewhere. I mean, three to six months, maybe not, but within, you know, six to nine months or a year. Down the line, there will be some correction, something has to happen. Would it plateau or would it go down? That remains to be seen. But in my mind, there would be some correction in at 5% to 10% correction of some songs.

[0:20:37.7] WS: Prashant, do you have any daily habits or a couple of daily habits that you are disciplined about that have helped you achieve success?

[0:20:45.0] PK: Hundred percent. I have many, many habits, and I'm all about them in my life. I'd like to be very disciplined. First thing I do in the morning is my meditation, 45 minutes of meditation in the morning, then I get onto a call with my accountability partner, on phone for 15 minutes, then I get into my marketing team for 15 minutes. And then my day starts basically. I'm not good with my exercise. I'm trying to get better. I do go for a walk.

[0:21:15.7] WS: You and me, both.

[0:21:19.3] PK: Yeah. So, I'm trying to get better. I'd like to go do hiking. So, I like to go at least couple of times a week for an hour of hiking in the woods, or play golf, that's my way of nourishing myself.

[0:21:33.2] WS: Elaborate a little on the accountability partner. I don't hear many people mentioned that. I've heard it in the past. People talk about the benefit, but I rarely ever hear anybody actually say they have one. What does that look like?

[0:21:45.2] PK: Basically, you know, I forget. I mean, everybody forgets. Our memory is such a limited capacity. We cannot remember everything that we have decided to do in our lives. So, I write down my goals every – they are written on a piece of paper almost every week, every day. And I just read them again and again, with my accountability partner. I mean, he doesn't say, "Why didn't you do it?" But at least I review it with him and that kind of keeps that alive in my mind that these are the things that I have decided to do and I'll continue to work on. And I want to remain focused on them. Because mind is like a wild animal, it can go in any direction and you may lose a focus in like a second and you may start doing something else.

Just to remain focused, and continue to make progress, because those small bits of progress that you make every day that compounds. Today is this much, tomorrow is this much. But after a week, it is this much progress we have made. One percent progress every day gives you 300% progress from the day one in a year. So, that's what the accountability partner is for me. And I think it definitely helps me to remain focused and to achieve better results.

[0:23:07.4] WS: For sure we all need some accountability. I love that because I know very few people that actually do have an accountability partner, but it's so beneficial. So, what's the number one thing that's contributed to your success?

[0:23:18.4] PK: I mean, the best thing that I give to myself is my meditation. That is the one thing. I know people say that you are spending time on meditation, but I think in my mind, when I meditate, I actually create time, because I'm letting other things, all these paraphernalia, which are coming and sticking to me, I'm letting them go and remain focused on what I really have to do in my life. That is the number one thing. If I don't meditate for a week. Now, I mediate after 30 years of practicing it. I've been practicing it for last 30 years. If I don't do it, I just don't function that efficiently.

The deepest level of my thinking, the purest form of thinking is do the meditation. I'm sharing it with you because you asked. The purest form of thinking comes only from my heart when I meditate, although that's not the purpose of meditation, but it kind of evolves from there. So, I would attribute to my success to the meditation, not that was the purpose of meditation. The

purpose of meditation is much higher, for obvious reasons, you know all about it. But it takes care of my physical life too.

[0:24:35.7] WS: And tell us how you like to give back.

[0:24:38.7] PK: Okay, I talked about meditation. I'm a meditation trainer, myself, and that's the quest of my life. I train others. Every year, I have at least 10 people. I like to train at least, although I get in contact with hundreds of them, but some of them stick around. Some of them don't. This year, also, like anybody else, my goal is to train at least 10 new people in their meditation journey, in their spiritual journey and that is like the highest priority for me in my life. And no money is ever charged. It's not about money at all, actually, you're renewing yourself already gives me something. Even if somebody gives me a gift. I cannot accept it by the law.

[0:25:24.2] WS: It's incredible that you just give back that way, when you already said that's like the number one thing that's contributed your success. So, it's great to just hear your passion of helping others. Prashant, just great to get to know you better here. You're coming from a tech industry and into single family and growing into multifamily and assisted living and how you've grown your passive investor club, your passionate passive investor club, and just coming from that, you know, a position of serving them as well, and even just serving through the senior assisted living facilities also. Tell the listeners how they can get in touch with you and learn more about you.

[0:26:01.1] PK: Yeah, if you want to learn more about me, here's my website name, myrealtygains.com. My email is for prashant@myrealtygains.com. And on Facebook, also, you can find me, myrealtygains.com, everywhere Facebook, LinkedIn. And if you want, I can give my phone number also, (631) 428-6479. Feel free to send me a text or schedule a call with me. There are a number of ways you can reach me.

[END OF INTERVIEW]

[0:26:37.9] 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

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[OUTRO]

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