

**EPISODE 848**

[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 Chris Roberts. Thanks for being on the show Chris.

**[0:00:32.0] CR:** Thank you Whitney, I appreciate the opportunity to be here and share today.

**[0:00:34.9] WS:** Yeah, Chris is a CEO at Sterling Rhino Capital and is a serial entrepreneur. He owns and operates several businesses and has passively invested in thousands of units while syndicating hundreds of his own doors as well. He's written a book and fed hundreds of thousands of people through his partnership with Feeding America. Chris, welcome to the show, I look forward to hearing more about your entrepreneurial journey.

It sounds like you have numerous businesses, you're successful in numerous different ways but I know one of your unique abilities is problem solving and negotiations and work ethic, all those things. I'm looking forward to getting into that. Give us a little more about who you are and, you know, how you got in the syndication business and let's dive in.

**[0:01:12.4] CR:** Sure, absolutely. Thank you so much for the intro. My journey started long ago in business, just sort of trying to figure things out in life, being out on my own at a young age and having some mentors that fortunately fell into my life that kind of gave me the right guidance with books and self-education, taught me a lot about problem solving and good work ethic and kind of cut my teeth at a very early adult age.

Then from there, built a sales and marketing career, realized that in order to exponentially grow, I needed my money to work hard for me and so as I was diversifying, let's say, investing in the stock market or starting the sales and marketing business I had, I figured there has to be another way and so I dove into picking up some of the land parcels and selling them and then eventually into single-family duplexes and then we jumped into the multi-family space.

Along the way, I made some partnerships, did some charity work I do and ended up partnering up with a guy running a software company from the ground up. He was a successful entrepreneur and I like getting my hands in lots of stuff, it really helps me learn and I've grown substantially as a result of that. I've been able to put really good teammates in place as well to help.

That's kind of my story, is just, I love the creative process and I love the challenge of creating something.

**[0:02:23.4] WS:** No, that is awesome. I love it when there's people that can just see opportunity and run after it, take advantage of it, it seems like you are that way. Maybe you could help us to think like that a little bit or see opportunity like you obviously do.

How do you know when you're going to run from something or when you're like, "No, I can do that or I can partner with this individual, I could talk to this guy, he's already successful entrepreneur but starting a software business," and maybe that wasn't your thing but you're like, "Man, I can help, I can do this, we can make this successful."

**[0:02:51.5] CR:** Yeah, you know, Whitney, that's a really good question and I think one of our challenges as just human beings is we can only take in so much, there's only so much capacity, right? We're linear thinkers in most cases, it's like, we have what's in front of us, the paradigm of our habits and we just sort of go-go-go.

It's hard for us to see the opportunity that's around us because we're going. I always tell people when I'm – young people I mentor or even in the business world, it's like, look, get out of your own way. Obviously, you don't know what you don't know yet but if you don't throw yourself out there, really, if you will, sell yourself to the world, almost pretend you're in an interview with

everyone you meet, not that you're selling something but how will they know anything about you if you're not sharing with them? If you're not telling your story, if you're not talking about the things you love to do and so on and so forth, instead of being focused so much on, you know, your social media page or whatever, right?

Let's have genuinely honest conversations and then let's put in the work and show people around us that we're worthy of success. My point is, when you say, well, how do you – these partners and that's exactly how I found one of my wonderful partners and partnerships don't always work out by the way, right? There can be challenges because you got all these people and personalities especially type A's on the same room.

I was on this charity board with an individual that happened to just sell his company for over a hundred million dollars and I never knew that about him. I had been on this charity board with him for two years and he reaches out to me and says, "I'm starting this other software company and I think you'd be great to help me develop the sales and marketing aspect of the business because that's just not my strength, I'm a software engineer."

All of a sudden, we partner up, we start working and now that thing's off and running, we're bringing in lots of accounts and I step back as a passive now. I was active in the beginning but I own 15% of the company, right?

That's one example of how he really enjoyed the conversations we were having about my business experience and my energy and enthusiasm and I really enjoyed his savvy as it relates to the technology piece because I am not a software engineer, right?

I'm the guy you put in front of people, not the guy who sits back and writes code. That's just not my strength and I don't enjoy that stuff. That's one example of how by putting yourself out there, just being a people person and actually genuinely caring, you can bring people to you that might want to partner with you because they identify those strengths that maybe perhaps, they don't have. That's just one example.

**[0:05:11.2] WS:** Yeah, for two years, you're building that relationship and he's learning about you and you're putting yourself out there, whether you knew it really or not but wow, look what

came from that. Tell us how you apply that now to your – the real estate business, syndication business, I know you have properties across the country and different companies.

Tell us how that has transformed your real estate business and now grown it?

**[0:05:31.2] CR:** Yeah, absolutely. Well I think at first, any entrepreneur or even aspiring real estate purchaser, syndicator, investor, starts out small, generally. At least in the beginning because it's overwhelming to think about buying a large apartment asset or even buying a rental property. It's like, I got to deal with toilets, I got to deal with – the reality is that it's all just problem-solving and people, right?

Everything, every business is people and problem-solving. With me, when I first bought my piece of land, it was like, "Okay, I buy a piece of land, no problem." I hold it for a little bit, maybe put it on the market if I bought it right and I make a couple of bucks, that's pretty easy, there's not much required.

Then all of a sudden, you got a rental property and you have to have a process in place for that rental property. I gotta buy it, right? I got to analyze the market, I got to go in there and renovate it and then either put it on the market and rent it, make some cash flow or I'm going to flip it and make a larger chunk of change but then I've got all these taxes I got to deal with and then find another piece of property and so on and so forth.

For me, to get into the space and to actually grow my business, it took a team of people. It wasn't just me but I started out simple, I bought a few properties, some land, did a little construction and then when I wanted to start growing exponentially, I knew that I had to bring like minded individuals in with me that supported the areas of opportunity where I lacked.

Let's say, I'm decent with spreadsheets but that's not my forte, I don't want to bury my face in a spreadsheet. I bring someone on for that, someone to analyze deals and so on. I have a spectacular team and that's how we're growing exponentially in the larger multi-family space.

By no way or shape or form would I take full credit for all this. It's my team and I treat them equally; we are all in this thing together.

**[0:07:08.1] WS:** That's incredible. I love how you focus on the team, we're the same way. We could not be where we're at if it wasn't for each person. Elaborate, I know we talk about that first hire often but maybe we can go past that a little bit and you talk about, when do you know you need that other team member?

Touch a little bit on maybe your process of finding that person. I get that question often. How do we find that person and what if they don't work out, all those things? Maybe you can highlight on how you've done that to build that successful team?

**[0:07:35.1] CR:** Absolutely and even in business, aside from multi-family, I've had experiences where partners didn't work out. It is important to identify. What I tell people, especially in the real estate space is, look, you don't have to go out and start an LLC together and go through all these legal documents and this huge process. You could simply find somebody in one of these mastermind groups, Slack channels, meet-ups, you name it, there's a bunch of them and just figure out who you synergize with, you know? Reach out and have conversations.

It's crazy, I meet people at these meet-ups that I've been going to them for years and they've never bought a piece of property and you're like, "Well, how have you never?" "Well, I'm still learning and I'm absorbing and I'm thinking." It's not that complicated, what are you absorbing? You can only absorb so much about underwriting and asset management and so on and so forth.

What I tell people is: "Get out there". In order to gravitate or have someone gravitate to you, you have to identify first what your value proposition is. What does Whitney offer to the multi-family space? Maybe Whitney is really good at investor relations, he's just great at it and he needs to find somebody who can actually underwrite deals. That person maybe doesn't want to deal with investors or whatever. Well then, you know what? You need to tell people what you're capable of and what you bring to the table. "I got a little net worth, a little capital," and then ask them, "Are you interested in maybe partnering with someone like me?"

You'll find that they would say, "Yeah, I am interested, I just, I don't know enough about you," "Great. Let's get to know each other." Here's the thing, you guys get together from a meetup and you decide in one of your markets, maybe one of you is the boots on the ground or you have a third person who actually is boots on the ground in another state. You guys work

together, you have an LLC that you create together just for this building or all three of you just partner on the LLC's with your companies and you try it out. It is really important though, that everybody has the same basic values and work ethic and things of that sort because you don't want to partner and one person just doesn't do any work and they get their share.

To secure yourself against that happening, you want to create an operating agreement because that is a legally binding document. Even though you don't do like full on LLC's and businesses together, maybe you drop a simple operating agreement that outlines everyone's roles and goals. That way, you could hold people accountable for their ownership. I hope that makes sense.

**[0:09:43.9] WS:** It does, it's very good advice, you know, you do trust these people, obviously you're partnering with them or if you didn't trust them, you wouldn't have partnered with them, however, having it in writing is very helpful and crucial when things don't go right. Right?

Every partnership was planned in the beginning to go well but it doesn't always go that way, right? Is there anything in that agreement though, that you've learned over the years that's very important to have in there when you're starting that partnership?

**[0:10:07.6] CR:** Yeah, I think you actually touched on this a little bit is, don't be afraid to say things that might make people uncomfortable. In other words, if it's on your mind, it's very important to vet that information, get it out, you know, even with your partners.

"Hey, where are your strengths? What are you good at? Okay, are you okay with this going in this agreement? You have to put in 15 hours a week or you have to do these certain tasks or whatever, are you capable of doing that? Do you have a full-time job, is this part time for you or whatever it may be?"

Just don't be afraid to have the tough conversations. I was talking to someone a while back about a negotiation I had with the seller and we're face to face, the seller and I and he basically lied to me and he told me he lied to me. Because I said: "Well wait a minute, you're basically lying?" He goes, "Yeah I'm lying." That's really awkward, right?

You're like, I was prepared for that, not that but I've been prepared for things like that because I've been in sales and marketing world a long time and business and I've dealt with some tough cookies, right? It is jarring when someone says that.

Think about a partner like that, right? "Yeah, I just – I can't be there and I can't put the time in." Well, someone's gotta make that up. My point is, when you put these operating agreements together, don't be afraid to outline very specific roles and goals.

Now, if you're lucky and you find the right person that really has good ethics and integrity, you may not have to worry about it as much but what happens if an injury occurs that puts them down? Are you prepared to pick up the workload?

Just think it through, don't overthink it, just think it through and put in there a handful of bullet points that just protect everybody and keep everybody equitable and that's all.

**[0:11:36.6] WS:** Great advice, no doubt about it. Partnerships, we've talked about it often but that operating agreement and things you need to talk about are not often talked about but, you know, I know one of your skills too, is that negotiations and work ethic. You talked about that.

Maybe you can speak to the ability that we should have there when getting started in this business or in the syndication business and maybe some things you wish you had known that maybe you know now and that have been very beneficial?

**[0:12:01.1] CR:** Yeah, I would say, especially in the multi-family space, it's not rocket science but there are a lot of moving parts. First of all, to get into this space, I wish I would have known about it earlier, I've heard a lot of people say as well because you can just really exponentially grow and offset your risk with the larger assets. There really isn't much of a difference in buying a \$50,000 property or a 20-million-dollar property. It's just a little bit more work and process as you earn and play, right? You bring in these SCC attorneys and so on and so forth.

I would say that some of the things that I wish I would have known is just about the space in general and then I wish I would have known the power of teamwork earlier in life because, being an independent entrepreneur, it was really about me and my work ethic and putting my head down and go-go-go. As I started to really get into this multi-family space, I've done it a little bit in

business but usually, it's one other person. I started realizing no, you know what? We don't need one person or two people, we need five, six seven people and then another four people in the extended circle of influence if you will, right?

I just wish I would have really utilized the power of that team work and let more responsibility go early on in my entrepreneurial life because it would have made my life much easier instead of working 20 hours a day, I might have been on a beach a little bit more. I wish I would have known that.

**[0:13:16.8] WS:** The power of teamwork earlier in life. I couldn't agree with that more and more. The more our team has grown, the more I can see things even being done better, right? Because somebody's committed to that thing and they're better at it than probably I would have ever been anyway. I couldn't agree more.

What about just your problem-solving abilities? Maybe just some mindset behind that because it's so important as an entrepreneur, you can solve problems and how you view those. How did you gain that ability and mindset?

**[0:13:42.2] CR:** Yeah, I think one, you really have to educate yourself well in multiple fields. For example, everyone wants to read a thousand real estate books and there's nothing wrong with that. I've read, gosh, probably all of them, all the podcasts, all the incredible information but you have to learn about mindset, right? About problem solving, about negotiating, you have to think about multi-family as a very dynamic business model.

Even though you may delegate certain things, that individual that's dealing with, let's just say, asset management has to learn more than just about real estate, right? They have to learn about people and construction and all kinds of things that go on behind the scenes and if you can educate yourself on the foundational level of every element and spread yourself out a little bit where you're learning more about than just the one topic you're in, you'll find that those skills would bode well for you. Not just in that particular asset class, multi-family or software or whatever, but in life as well.

An example of this is I've read several memory books. I've read a lot of books on psychology, a lot of books on larger corporations, about the economy. I want to know the world works because



it helps me to understand what drives people on the other side of these deals I'm working with and that's a really important piece as it relates to negotiation because if you can understand where people are coming from and understand the environments around them, you're better suited to get what you need out of that transaction versus just, "I'm going to go in here blindly and just bulldoze somebody," or whatever. That just doesn't work and so I think it is educating yourself and understanding the world around you. Only the way you can do it is just to keep learning.

**[0:15:18.8] WS:** I like how you mentioned you need to know what drives people on the other side. That's so crucial when you are thinking about negotiating, right?

What do you consume on a daily basis to know those things? I know you mentioned numerous books and I don't typically ask for book recommendations because I know most podcasts do but however, if you have a couple around this that would be beneficial, that would be great or just things where you consume this information on a more frequent basis.

**[0:15:43.0] CR:** Yeah, I am going to give you three quick ones and we'll go on and on about them but Chris Anderson's TED Talks, okay? Malcolm Gladwell's, *Talking to Strangers* and *How to Win Friends and Influence People*. Now, those are just three quick ones that relate to storytelling, relationships, understanding people, incredible books, those are just three off the top of my head. I've got tons of them but because those books teach people how to deal with people and how to understand people, right?

There's stories in there and all kinds of things but outside of the business world, those are just some of the examples of how you can spend a little bit of time truly understanding the other side. It is really eye-opening.

**[0:16:25.4] WS:** What's been the hardest part of just the syndication business or process for you? Even after you're – lots of business success and different businesses, in syndication specifically what's it been for you?

**[0:16:34.6] CR:** Multi-family was a newer space a couple of years ago for me. I was single-family, again, linear. I got one thing I can deal with. It's all the legalities, all the processes and systems and just sort of putting all of those pieces together. You know the biggest challenge is

just kind of knowing what you don't know. No matter how many books you read until you're in a deal, in the heat of it, the thick of it, the deadlines, the capital raising. It's very hard to truly understand that pressure until you're in it and I think that was something that I probably couldn't have anticipated until the minute I was in it, no matter how much planning I've done.

**[0:17:06.0] WS:** How do you prepare for a downturn?

**[0:17:07.5] CR:** Great question. First of all, you have to follow your numbers. Now in any business, here's what I tell people in general, "Don't do things based on emotion, do things based on data," and Neil Bø is spectacular about the data, right? I mean there's a lot of people but he's like, "data-data-data-data," probably to a fault almost, right? But it is true, when you have a model and you follow that model, you can offset a lot of the risk and challenges.

I had a lot of people try to tell me how to buy my first property. Friends, family, people, markets and I just followed the data and ended up getting twice the cash returns than all the books told me because I followed the data. Then we did it again and again and again and it worked really well for us, so yeah follow the data.

**[0:17:49.8] WS:** What do you see happening over the next six to 12 months in the real estate market or how are you preparing for that?

**[0:17:54.9] CR:** Yeah, so a couple of things. During COVID, while a lot of people backed off or put their heads down, we went full speed. We closed 200 plus unit deals during COVID. It was crazy, I mean lenders were challenging and more reserved but we realized this is no different than any other environment. Think about it, the economy goes up and down constantly. We of course, we never had a virus but we always have challenges.

Again, what we do is we sit down and think about what are the best and worst case scenarios, what's the middle road and what are all the elements that can occur or that can derail us? We write them down. We put them on a think board and we just write them down. "Okay, here's this. What if we had 50% vacancy instead of 20% when you are stress testing your deals?" You know, "What if we couldn't pay investors? Are people prepared for that, are they going to understand it? What if the debt gets tighter, right? What if the CDC comes in, which they've done and they've halted evictions, right? What is your plan going into that if they do?"

Which we anticipated, we knew they would do something, we just didn't know to what extent and the asset we closed in September is a perfect example of that. There are some challenges but we're getting through it because we analyzed this thing like crazy and we had all kinds of contingencies.

I tell folks, make sure you write it out, you plan it out and don't let your emotions get involved to drive you to buy something that the data is telling you might be risky. Just back off, there'll be another deal.

**[0:19:10.9] WS:** Are there a couple of things about how you purchased that deal that have helped you prepare for the unknown through the virus pandemic, all those things that can help us when we're looking at deals as well?

**[0:19:20.1] CR:** Yeah, absolutely. One, again, underwrite very conservatively and it's hard because you might underwrite a hundred deals and one works instead of maybe five. It is what it is. Trust those numbers because if something goes wrong, you know, we don't know like administration comes in and changes the rules or something, right? You don't know that, so make sure that you're underwriting very, very conservatively.

I'll give you just some specific examples. Don't account for rent escalations like 2%, 3% or 4%. Don't put them in there at all, right? Try to do a deal without any refi. You know, do a five year hold, no refi, because that blows the numbers up. It gives better returns on the paperwork, right? Make sure that you stress test that vacancy to pay the minimum expenses at, I don't know, whatever, whatever you're comfortable with, 30, 40, 50% but don't do it at 20% because you could get to 20%, right? If something turns down. So there are all these little elements that you have to put in play and I would say that those are just a few of them but critically important.

And then the other thing is, don't be afraid in your contract, and a lot of sellers may not bite on this, they did on mine when I closed this last deal but don't be afraid to put unique clauses and that stand out to them but are very important to protect you. I'll give you one example.

We put a clause in there stating that within 30 days of closing, if you have a certain amount of vacant units or bad debt, right? Slow pays, you didn't collect rent, by the 15<sup>th</sup> of the previous

month of closing, you owed us a certain amount per unit as a credit for that. In other words, as we got to the end of the road here and with all of these challenges we didn't know was going to happen, you're going to have to pay us if you don't continue doing what you're supposed to be doing.

We got a \$25,000 credit as a result of that because I anticipated after, I was fortunate to deal with the seller directly for a while, to get to know him and I thought, "As we get to the finish line, he's probably going to start getting a little lackadaisical," and I am so glad we did because that equaled, gosh, in this case about 40 rents, right? That was basically just a bonus credit, things like that can really protect you.

**[0:21:11.9] WS:** Great advice. I love those specific things that people do that you bring out like that Chris, I appreciate that. What about any daily habits Chris that you are disciplined about that have helped you achieve success?

**[0:21:22.6] CR:** A few things. One, I am there for my customers and I say that because in life, it doesn't matter how big a business I've dealt with, even friends of mine that owned big businesses, when Friday comes, they're out. The clock stops, they're off work, they don't answer the phones, whatever it is. If it's six in the morning, they don't answer until they get through their Miracle Morning routine or whatever they do and that's great. I have no problem with that.

That's not the way I roll. I am there for my customers constantly. I get calls at 10:00 at night sometimes, six in the morning sometimes, Saturday afternoon, I'm at dinner with my wife. We just signed up for that and she gets that. She loves it, she's fine, she's an entrepreneur as well. That's how we do it and I pride myself on that because when people get a hold of me at those times, they're usually shocked. "Why did you answer your phone? Why did you?" And it's because if you're calling me, you need me for something and I want to be here for you because that's what you get when you do business with me.

**[0:22:13.0] WS:** Awesome, no we've got to be available. Especially in our business when we're working with so many investors. They want to know they can get a hold of you, right? I love that as well, they can call you and you answer the phone, it speaks volumes. What's your best source for meeting new investors right now?

**[0:22:26.9] CR:** Yeah, so we are big on our thought leadership. We don't have mentor programs today. We do mentor people; you know, we take phone calls and help and try to assist any way we can. We love adding value to people's lives but for the most part, we have our social media, our YouTube, websites, all that stuff and we just network like crazy whether it be going into meet-ups or think-tanks. Also, we get a lot of referrals whether it be off our podcasts interviews or just friends saying, "Man, we really like the vibe you guys put off and what you're doing," and we just pride ourselves on being a fun group to do business with.

You know, we're not the staunchly three-piece-suit guys in the 10-storey building in the corner. I've been that guy, we could be that but that's not how we want to roll. We want this business to be fun and that's kind of what sets us apart a little bit, not that everybody is not fun but it's just we really want to exude that. We really want to enjoy this business.

**[0:23:13.5] WS:** What's the number one thing that's contributed to your success?

**[0:23:16.5] CR:** Well, early on it was my work ethic, educating myself, reading books and just really having a passion for, for lack of a better term, success. And that came from struggling as a young person. It is hard to quantify that but that's where it came from early on. Today, the number one reason I'm successful is because I've built very good teams of people around me that I treat as equals and we all do this thing together.

**[0:23:39.6] WS:** How do you like to give back?

**[0:23:41.2] CR:** We partnered recently with Feeding America as enterprise partners and I wrote a book and that book, 100% of the proceeds go to Feeding America indefinitely and we fed, I think you announced it in the beginning, over 200,000 people, and that's our primary source of giving back but all of us do different things like I've done some rescue mission work in City of Hope and other charitable groups but Feeding America is our primary and it's close to my heart because obviously when I was a kid, I struggled a little bit.

**[0:24:07.4] WS:** Wow, well Chris, grateful to get to know you personally. I know the listeners are as well, it's just incredible to hear your story through some of your success and numerous businesses and just your ways of problem solving and ways to learn those abilities or different

recommendations you gave us of course but just your business experience and negotiations and just the mindset and selling yourself, all of those things.

Grateful to have you on the show. Tell the listeners how they can get in touch with you and learn more about you.

**[0:24:31.5] CR:** Thank you so much Whitney and by the way, thank you for sharing all the stuff you share on your podcast with all the interviewees. I mean, I have learned a ton from you guys and I really, really respect the things that you do on the back end of your personal life and the way that you run your business. Kudos to you guys for just doing really good work out there and I appreciate that.

As far as us, we're Sterling Rhino Capital. You can find us on our website, we have a really cool calculator that compares the stock market to real estate. It is one of the most dynamic ones I've ever seen. Our CPA's love it and you can obviously get into our newsletter, some things like that by signing up or you can opt out if you're bored after a while but I think there's some really good valuable information. We've got a great YouTube channel, lots of educational stuff there.

Again, all free, we just really like helping people and you can find us on Facebook and LinkedIn and all of the other stuff.

[END OF INTERVIEW]

**[0:25:15.0] 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.

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]

**[0:25:55.8] 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](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

[END]