

**EPISODE 853**

[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 Gary Van Bortel and John Billinski, thanks for being on the show guys.

**[0:00:33.2] GVB:** Thanks for having us.

**[0:00:34.9] JB:** Thanks for having us Whitney.

**[0:00:36.3] WS:** Yeah, my pleasure, it's been amazing to see what's happened and what you all have made happen, I know it has not come without a lot of hard work and so I met you guys, we were trying to figure it out if it was a year ago, a year and a half ago, I can't remember now and you have me speak at a meetup which we're going to talk about a little bit I know.

Then you all closed a deal and made some big things happen that we're going to discuss today but a little about Gary and John, after both learning of apartment syndication 2019, John and Gary met a local REI meeting in Rochester, New York. They partnered up with the purpose of acquiring commercial multi-family properties together. They immediately started their own local meet-up group called the Upstate Commercial Apartment Investor's Group, which is focused on discussing and acquiring larger multi-family properties.

They started in Rochester but they've now expanded to Buffalo and Syracuse markets as well. They've closed now their first 48-unit property in early 2020 just prior to the COVID-19 pandemic. COVID-19 has created several challenges which they've had to overcome but they are hard at work to find and purchase the next apartment building as well in upstate New York area.

Guys, welcome to the show, I look forward to just hearing more about the story. It's so often we hear too just the first deals are the hardest one to get to, right? I love hearing how guys made that happen, guys and gals, but you know, I think listeners, they can be inspired by that, they're going to learn a lot from you all in just some steps, some crucial steps that you took to get to that 48-unit deal, get that past the closing line and I'll tell you.

You know, most of the time I would say over the last few years, people have closed deals but then they didn't have a pandemic just right after either so you all have had some other challenges that you've had to overcome that a lot of people haven't but I know we can all learn from that.

Get us started a little bit, I'd love to know, you all have created this meet-up or you met, maybe you can speak briefly to how you all vetted one another, how you knew this would be a good partnership, there's so many partnerships that don't work out but yours has, thankfully.

How did you know and what was kind of the thought process then and let's work our way up to this first deal?

**[0:02:39.9] GVB:** Sure, I'll start this off. John and I met at our local REIA meeting. It was actually – I think it was the Christmas party. We had actually – I think John had heard that I had been going through a mentorship program to learn about syndication and coincidentally enough, John had as well. Didn't know each other at all at that point.

We got together, realized that we had very similar backgrounds as far as investing in single-family and multi-family, right up to that point and I had started after learning about syndication to venture off on my own. I made a couple of offers but I really didn't feel a hundred percent confident. I didn't have anyone to bounce my underwriting off of.

John and I met, he reached out to me, we got together, realized that we complimented each other very well in our skillsets and from there, we just started working together and looking for deals and working together.

**[0:03:39.0] WS:** I don't want to jump ahead too much but maybe you can highlight there because I often talk about that as well as far as finding that partner that compliments your skillsets. What were those skillsets? I get that question often too, "Okay, what were you good at or what?" Because I tell people, there's so many parts of this business you have to have a team and it's – I just felt like when you're getting started, it's better to just own something, be really good at this thing, you know?

Then find somebody else that's really good at that other thing, you know? That you don't have and you're going to go further faster, instead of trying to do it all yourself. How did you all split those up, what were your skillsets that complimented one another?

**[0:04:14.1] JB:** Well, I could throw in there, when me and Gary met, I know Gary said we looked through a lot of deals and I think one of the things I brought to the table that helped move the ball forward when it came looking at deals was, I always looked at the, "What we could do" kind of mentality. We saw what we've broken and said, "Well, if we fix that, we'd do this, this is what I see that's going to come out of it," and I think Gary, that wasn't something Gary is built to do typically, he's very good at analytical – looking at stuff and making sunset of things but seeing the, "What if we do this?"

I'm very good at looking at things and trying to figure out how to make something work if it's broken. I think I kind of help add that value in a sense of making something look more positive even though it looks like a big heap of mess. I think that was a very big turning point for Gary, at least I believe.

**[0:04:55.1] GVB:** Absolutely. I'll say, it's very easy to talk yourself out of a deal. You can talk yourself out of everything if you want to and I'm an IT guy and I analyze things quite a bit and John brings that to the table, he's very positive and was like, "Well, what if we did this, if we increased rents and do renovations?"

Our property that we did acquire was only call to value add. There's been a lot of you know, everything that we could possibly do and we've executed fantastically over it but that was huge as far as getting me moving forward. I kept talking myself out of deals and John kept – “Let's look at it this way and let's underwrite this way.” Having that positivity really helped propel us forward.

**[0:05:41.5] WS:** Nice, well tell us, we're moving towards that deal, how did you land on a specific market, what were your all's roles there, how did you just figure this real estate syndication business out?

**[0:05:53.6] GVB:** Sure, we both agreed that you know, we're both hands-on with our own properties, we self-manage them, we do all pretty much the repair work and maintenance is required. We're both very skilled in that aspect and felt that if we did find a property, it would be best to have one that we could easily get to within an hour-and-a-half or two-hour drive and that's proved to be huge for us as we're learning, we are able to get out there and be more hands-on. We look for something kind of in our backyard, per se.

Anything in this Syracuse or Buffalo or Rochester area was something that would be very interesting for us. This particular property happened to be part of a larger portfolio, I think it was eight properties, which was well out of our reach but we focused on the one that we wanted and made an offer on it.

The property portfolio did end up selling to one individual who then knew that we expressed interest so we kind of came back around to us. His criteria, this property was a little bit more of a value add that he wasn't looking for anymore, he had been there, done that and reached out to us.

**[0:07:07.3] WS:** You saw this property, then it's sold as a portfolio to someone else and then that new buyer sold this property to you all?

**[0:07:14.7] GVB:** Yeah, he reached out to us and he said, “I'm going to close on these other eight properties” you know, he wanted me to do like a double close so he didn't have to hold it

all. We kind of hammered out the deal, we met at a coffee shop and discussed it and you know, just made it happen. He was an excellent person to work with, as far as the seller goes, and knew that this was our first opportunity — so that benefited us a lot.

**[0:07:38.7] WS:** Did you do the double close?

**[0:07:40.1] GVB:** We didn't, we think we're about six months behind, there was some issues I just — you know, small things that we had to overcome and just — we did that but it just took a few months, just basically with the attorneys and the title policy.

**[0:07:54.4] WS:** Give us some of the details about the property, the business plans, some things you all were expecting to do moving forward and maybe we'll talk about some of the difficult parts of it as well.

**[0:08:03.8] JB:** Well, some of the things we ran across when we looked at the property, which were blessed by the owner, he gave us the opportunity to walk through the apartments twice before closing on it, which gave us a good insight of what was there and what needed to be done. One of the things we know upfront, like Gary's mentioned, this is a heavy lift and we knew we needed to renovate a lot of apartments, which we took advantage of as we moved along as people moved out.

A lot of those renovations grew a lot of value back. We knew the area had a lot of value add and a lot of up-tick in price so as we went along, our plan was to do the renovations. We also included updating hallways, main entrance ways, outside of the building and all that stuff was part of the original plan.

It actually worked as well as we planned and then some. I believe some of our rents were say, the 620 range on a one bedroom, we're now getting over 800 and two bedrooms was around 720 and we're pushing 950. Everything that we originally went into with our plans executed and turned out even better than we originally hoped.

**[0:09:02.5] WS:** Nice, any issues getting to the closing table and you know, up to that point?

**[0:09:08.6] GVB:** Not really, we worked with a mortgage broker who was fantastic in helping us navigate the new area that you know, territory that we were working in. We did extend the due diligence a little bit and there's where the seller was huge, we just ask, we even offered to pay. We found some things that we just – we're just questioning and wanted to make sure before we – our money went higher that we had really thoroughly went through the property but as far as getting to the closing table, I think it really wasn't a huge issue but raising the capital.

We got a little nervous as things got really close. We can dive into that a little bit but –

**[0:09:47.1] WS:** Yeah, let's talk about that because I know so many listeners are learning to raise capital or they're trying to develop that side of the business, right? It's such a crucial part of the syndication business there, you know buying commercial real estate. What happened, how did you do it?

**[0:10:00.1] JB:** Well, Gary had mentioned earlier, when we first got together, we started our meet-up group. Intentionally just for us to help educate, teach, share, and maybe meet other individuals that have the same likeminded goals.

During that process as mentioned, we brought the people along with us on our trip as we looked at the properties, looked at different ones, started putting offers in, we shared that information with pictures and everything as we could every meeting. What ended up turning out, me and Gary originally, when we talked about raising money, we both weren't really comfortable with raising from family and friends. We thought, that wasn't the route that worked for us.

But by building this meet-up group and bringing them along for the ride, we built a bunch of investors from that group that were willing to at least discuss and invest in our deal, which is very interesting to us because it was a lot – That part was a little bit easier than we thought but then when we got down to the line of you know, "Hey, let's sit down and talk about investing in our deals," you know, everybody that was willing to talk to us, probably half of them did talk to us.

But the ones that did, I think more or less surprised us that they were willing to jump in and do pretty good amount. But I know, when it came down to putting their money down, you have your

meetings discussed, you sign the paper if you want to do it. Everything kind of took longer and got closer to the deadline than we expected and we were pushing it, we were having meetings.

I think we had a few weekends we met at Panera Bread, a local place where we are and we had from like I forget what time Gary, from about nine in the morning until like three in the afternoon, we had one investor rep then another, just sitting down and talking with us and trying to make sure that they're good to go or they're interested in the deal and that, lo and behold, became the last kind of part of our raising capital but it seemed like it took the last second to actually get every dollar we wanted. Make sure we had a little extra in case somebody backed out at the last minute but it was definitely stressful.

**[0:11:42.0] GVB:** Yeah, we ended up raising over a million dollars and a lot of that was because of the renovation work that we had planned. Even though we really didn't need all that to close, I felt we really wanted to reach that milestone and we did and as John was saying, we ended up really just having some really – we met with the investors. We're really open and honest guys and we put our cards out on the table.

They know where we live, they know everything, we're open book. I think just instilling that confidence in people that "Hey, we're not going anywhere" and we were investing as well, our money. It helped.

**[0:12:18.3] WS:** That's awesome. I like how you talked about the things you put all your cards out there, it sounds like you all are very transparent, you knew these investors and you knew them face to face, which is not so common now. Majority of our investors, I've never met in person and that sounds horrible but that's just the way the business is.

We talk numerous times on the phone, we'll do Zoom calls if they want but it's difficult to have that face-to-face interaction and they're scattered all over the country sometimes and other countries as well.

But I wanted to ask you, you said you raise a million, congratulations by the way. I felt like that is a big milestone, it is a big milestone. It's hard to get to that first million and then getting past that but getting up to that million is a big deal. Often, you know, people start to raise and they may

raise 200,000, 250 or 400,000. It's really difficult for them to get on up to that million until they do ramp up some different systems or do different things.

What would you have done differently, now that you've done that, I know some investors are really holding out, kind of drag that process out, which almost happens every time? What would you do differently now?

**[0:13:18.2] GVB:** I'm not really sure that there would be much of anything different, other than just trying to branch out and bring in more members every way you possibly can because that was our pool and I think at the time, we probably only had about 20 members.

We actually had some investors, I think a couple of them brought in others that we didn't know because they felt so confident. They're like, "Okay, here's my friend that is also interested" and we sat down and they became investors as well. I think just getting out there as soon as you can, having these meet-ups and we use our meet-ups for education. We're teaching the whole process as we know it, to our investors so that they feel comfortable. Yeah, absolutely.

**[0:14:04.1] WS:** Not too many people get referrals on their first capital raise so congratulations again. I think that speaks volumes just to the relationship also that you had built through this meet-up. You know, I've never done a meet-up personally. I know tons of people have had great success with meet-ups that wasn't the avenue I chose but man, for you all, that sounds like that was the avenue to be able to close this first deal, gain a bunch of investors, really build a good relationship with them as well to gain that trust. Which you all obviously did. Let's talk about now, you know, you've closed the deal, let's move on – COVID hits, what happened?

**[0:14:36.2] JB:** Well, the interesting part is, we closed the deal and I think the week after COVID hit. I mean, literally, immediately the deal closed and also we're in COVID mode, which was very interesting to us in a lot of ways because who could expect that happening? How do you plan for that in your deal? What we found was a lot of restrictions, a lot of property management wouldn't go to the property unless it was an emergency. There was a lot of things that came to us and you know kind of learned, putting your feet into the fire kind of a thing.



Learn really quick and what we ended up having to do was get more involved upfront. Luckily we were close to the property, we were there at least once or twice a week spending all day there doing stuff just trying to keep ahead of the problems, which is really the key to our success at this point because without that, if we leaned down the property management, they're probably doing about 20% of work. We wanted to see it done.

Granted, we're the owners. We want everything done but they're telling us as well, you know even if we already were, there was a lockdown on services being out there working without being emergency reasons. We learned really hard really quick that being close was probably the biggest benefit for some of these property.

**[0:15:40.7] WS:** What was the timeframe of closing? Was it like January when COVID was becoming known or was it like beginning of March or end of March?

**[0:15:48.5] GVB:** Right, yeah. We close I think it was like February 28, so it was – the one thing that did surprise us that was really nice is that just the week that we close or the days before, interest rates dropped. You know, we got a little bit of an advantage there, which was nice and just soon after, as John was saying, you know, all of these restrictions — our property manager was like, yeah. We can't really go to the property the way that we normally have.

We can't really show the units, you know, all of these leasing activities need to be rethought out and we also had a lot of renovation work that involved all the tenants. We were going to replace all the carpeting in all of the common hallways and it's an older building. We had some air quality concerns, so we had to actually displace the tenants to get that work done. Fortunately, it was only for the day but the bank was aware of this and kind of holding our funds until we got this done.

We were able to and get all that done and right now, we have new hallways and new flooring and paint. It works fantastic.

**[0:16:58.5] WS:** Nice. Well, yeah, congratulations for getting through that even getting a loan during that time as well. There is a lot of that change for so many people but tell us about just

your most, say, the most difficult part of just the real estate syndication process or business for you all or difficult situation during this time that you've been?

**[0:17:16.1] JB:** Sure, it was just, you know, like you said things went along pretty smoothly. We were able to close and secure the property. We did have to go under property management. It was kind of requirement of the bank, although we have been investing for many, many years. We were considered unexperienced I guess in the eyes of our lender just because of the size of the properties, your duplexes or smaller units don't really qualify in that area. We had to take out property management and work closely with them.

**[0:17:48.1] WS:** What was something that helped you to better that or is there – you know, what was your relationship like with that property management team? Obviously this is your first property, first property with this team. Was there anything, any advice there that you can provide as far as, “Man, this was the best property management team we could have had” or have you switched to somebody else now? How did that relationship workout through that hard time?

**[0:18:09.9] JB:** I think the important part is you got to get to your due diligence when you're hiring a property management company but it is also – it is kind of like a marriage, right? You got to put into it as much as you can to make it work properly and I think one of the things we did early on is we stated we want to have a weekly meeting with the property manager having a phone call to go over details of what's going on from problems, issues or plans for going forward.

We also would meet with the property management onsite, if possible. First, I think we did two days a week or probably the first month then we knocked it down to once a week and then we went down to now once every two weeks but being involved with them close on everything having changed orders, repairs, just kind of coming through us a little bit more than probably should upfront so you can understand how they do what they do and you give them guidance on what we want.

They kind of follow what we want and then yeah, they try to learn our habits and our interests and I think by doing all of those things, you kind of help mold them and you are also there to help them and hopefully support them so they kind of work with you well and I think that is the

key up to this point, we have been with the same property management, we're going to stick with them at this point moving forward. We have to kind of molded them to what we want and we got a pretty healthy relationship. I think that is our keys that we can hand out.

**[0:19:27.4] WS:** I like asking operators, you know how they prepare for a downturn or another downturn but I'd like to know from your all's stance here, you know, is there anything that you all did before this deal closed that helped you to be prepared for something like COVID and then has anything changed that's helping you that you're – so you're better prepared for the next project as far as underwriting or assumptions or any reserves, anything like that that has changed that's helping you moving forward?

**[0:19:56.1] GVB:** Well, the underwriting has certainly changed where you want to be conservative and what I mean by that is you want to make sure that when you're underwriting and you're putting in vacancy rates and concessions that you are shooting a little higher in those numbers. I mean, everybody wants to have 5% in their numbers but we recommend, go much higher than that. That will help protect you in the downturn.

You know, put in concessions, try to be honest with yourself as far as what could happen because as we've seen, things do happen and having – we definitely get below the five percent vacancy rate but we planned for that. Just be honest about that with yourself and your underwriting. Also, yeah as you mentioned, the agency debt reserves are pretty big now. It depends on who you're going with but they are anywhere from 12 months to a year's worth of principle and interest that you need to have in the bank when savings before you close.

That can be quite update number to get around, so you have to make sure that your raise is going to accommodate those higher requirements. Yeah, as far as vacancy rates and your reserves, those things have changed dramatically.

**[0:21:08.9] WS:** Are you all looking for deals moving forward? What do you predict over the next six to 12 months in the real estate market? Are you buying or what's your plan?

**[0:21:16.6] JB:** We are. We are looking right now in the upstate market, Gary and Me actually had worked together with a couple of new partners so we are working as a team now. A couple

from the Syracuse area, which is we're both in the Rochester area of upstate New York. We are trying to spread out and to take on more of the area in larger properties. We're going forward. We're looking for deals. There's obviously opportunities out there because I believe there's a lot of people out there that are concerned where things are going but we believe there is still good opportunities ahead.

You just got to search long and hard and like you said, make sure you're underwriting it as strong.

**[0:21:49.5] GVB:** Yeah and we've bought purchasing tools to help us find those deals. You know, there is tools you can buy that we've invested into help search out, property size is an example and you know, owners and when their notes maybe come due. We're trying to reach out directly. We are getting some mail campaigns and reaching out in those manners to try to find the deals that are out there, which are a little bit more difficult to find.

We are finding that the deals that are under the multiple listings are pretty tough to come by to find any real good deal. It seems that everyone is still underwriting as far as on the broker side as if things are, you know, everything is rosy but you've got to really plan for these vacancies and debt concessions and soft tenants possibly not paying and those kinds of things. We are trying to improve our business by utilizing tools, marketing campaigns and just trying to search out sellers on our own.

**[0:22:52.3] WS:** You all close your first syndication, you raised a million dollars all right when COVID was hitting and again, congratulations. What's that number on thing that's contributed to your success?

**[0:23:02.7] GVB:** I would say networking and working at a team. You know, there is a lot of work to be done and team up, partner up as we've done and like John was saying, we thought kind of growing our team a little bit and networking. It's more challenging during these days, you know as the in-person meetings is what we really like to do but you got to get out there on social media and get your name out there and let people know what you are doing.

**[0:23:28.5] JB:** I would agree. I know partnering is probably the number one for any syndicator out there to kind of accomplish their goals but networking is right up there and I'll also throw in there going into different kind of meet-ups or seminars or training that through a Michael Blank in a sense, stuff like that that you can meet other people that have similar minds that share ideas that can help you move along.

**[0:23:49.7] WS:** Are there any daily habits that you all are disciplined about that have helped you achieved success?

**[0:23:53.9] GVB:** Yeah, I am constantly looking at the numbers, looking at the reports and the property management, keeping track of potential issues or work orders with tenants. I really like to make sure that things are taken care of right away and I know that's the property manager's job but it is not uncommon to find me on site actually taking care of issues and talking to tenants, just making them really know that we care and we're there for them.

I do look over the reports from the property management and making sure that we are keeping up on those tenant responses and that they do know that we're there to improve the property and address any concerns that they have.

**[0:24:37.0] WS:** Any recommendations on improving our syndication business or things that maybe you all done recently to improve yours?

**[0:24:43.6] GVB:** Study, read everything you possibly can. We listen to podcast, you know constantly. Love to attend conferences just really know your business. Understand syndication and underwriting and just educate yourself and network like crazy is kind of what we like to do.

**[0:25:05.6] WS:** What's your best source for meeting new investors right now? I probably know the answer but I want to ask you anyway and let you elaborate.

**[0:25:11.5] JB:** Our meet-ups for sure. We do that as much as we can and then social media.

**[0:25:16.4] GVB:** Yeah, we really like to add value. You know, these meet-ups we try to bring in a guest as we mentioned, Whitney you are a guest on at one of our early meet-ups. We try to

educate so that the members are walking away feeling like they gained something. We're not going to be able to bring in enough deals to keep all the investors happy, so we're more than happy to bring in other syndicators to let them talk about the process and the business and also we do go through the process of underwriting and looking for deals and we share everything with them.

Right now, it's the meet-ups and we also use social media to communicate about what we're doing. We've got renovations going, here is before and after pictures, just to really show people that we're hands-on syndicators. We are not just trying to raise money and find the next deal. We are really involved and people constantly come and it's like, "Man, this is the hardest working syndicators you can find."

**[0:26:15.9] WS:** How do you all like to give back?

**[0:26:17.3] JB:** I think through education. We try to share our knowledge of the syndication business through other investors, the local meet-ups that we have and we try to give them as much knowledge as we learned and share connections like yourself to them to help reach out to learn more.

**[0:26:31.3] WS:** Awesome. Well, Gary, John, it's been a pleasure to just know you all over the last year, year and a half and see your progress and success and personally know it doesn't come without a lot of hard work, raising a million dollars on the first deal. I mean that alone is such an accomplishment, you all just have no idea. You probably do know but I just mean it is such a big deal to have done that and all those relationships, all that time spent ahead of time that maybe you thought wasn't really paying off.

Then finally did pay off in getting that first deal close and so many listening are looking forward to that first deal like you all were and then amongst COVID, all of those things that you've overcome. Congratulations and just thanks for sharing that process and things you've learned with us. How can listeners get in touch with you and learn more about you?

**[0:27:14.4] GVB:** Sure, so our website or email works great for us. John and I are Roc Capital Group and it is just Roc, kind of the way we abbreviate Rochester in our area there, so it is just

roccapitalgroup.com is our website and I'm [gary@roccapitalgroup.com](mailto:gary@roccapitalgroup.com). John is [john@roccapitalgroup.com](mailto:john@roccapitalgroup.com). Our meet-up group is Upstate Commercial Apartment Investors Group. We named it specifically like that just so that people really know what we do and what our interest is, so that is a couple of great ways to reach out to us.

**[0:27:54.2] WS:** Awesome, that's a wrap guys. Thank you very much for sharing your story.

**[0:27:58.4] JB:** Thank you Whitney.

**[0:27:58.9] GVB:** Thanks for having us.

[END OF INTERVIEW]

**[0:27:59.8] 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]

**[0:28:40.7] 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.

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