

**EPISODE 872**

[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 Mark Ainley. Thanks for being on the show Mark.

**[0:00:32.3] MA:** Thanks for having me, it's a pleasure, I know you have an awesome audience and you have awesome content so I'm happy to be here, happy to be able to contribute.

**[0:00:39.0] WS:** Mark is a Chicago land area real estate expert with extensive experience in growing his own residential and commercial portfolio in the last 15 years. In addition to the development and construction experience, Mark is a founding partner of GEC Realty & Development, which is known to be Chicago's most responsive property management company, with management close to, I know the bio says 1,000 but I think you mentioned 1,200 units before we got started here, and two million square feet of commercial space as well under management.

He's been featured on CNBC's TV show, The Deed, chronicling one of his rehabs and his company's struggles with strong growth. Mark, welcome to the show, grateful to get to meet you and have you on and, you know, give us, why don't you give us a little more background and just about yourself, I know you've done construction, you've done lots of different things and now you have a great management company.

I know one thing you can really help us with too is just how you've been so successful and just connecting with the right people and networking and some of those tips that I know is going to be very helpful to the listeners and myself.

**[0:01:39.3] MA:** First off, thanks for having me out here, I'm happy to have this opportunity. Secondly, anytime that you get to share experience, express your mistakes, I love to jump at it. A lot of today, I'll talk about some of the mistakes I made.

The one thing that I love about real estate is there's so many different ways to make money, up market, down market, whatever type of market you have in the numerous different asset classes there are, there's so many different approaches to making money. Some all at once or one at a time.

We have – I started off at a very young age as far as investing and I actually, the first investor property I ever bought, I hired the first bad contractor, he screwed me over, I rented for the first sad story tenant, we did eviction, or modern day cash for keys with her and I said, "I'm never doing management again." After my first deal, I was almost discouraged.

But getting back into real estate pretty quick after that, just working as a broker, I was able to really learn so much facilitating deals and we were actually, for a handful of investors, taking the property, finding the property for an investor, doing the construction, which helped us get the crash course on the construction piece and then selling it for him the back end.

We were basically a turnkey flipper for investors and that was really how we gained a lot of our experience in the early part of my career. Then, just growing throughout the years, you know, we were fortunate enough and unfortunate enough to go through the downturn, which is something that you know, I got caught with my hand in the cookie jar in a few things and then at the same time, I was able to grow from that but yet also helped a lot of people get out of their issues as well.

Just going through a big cycle change like that was a huge experience in helping our growth.

**[0:03:16.2] WS:** It sounds like you've had – you've gained expertise through experience and lots of different aspects of the real estate business, no doubt about it. After 15 years and all this experience, I wanted to ask you right off the bat, would you have done it differently or is there one area that you would say now, "Okay, if I had just focused on this one thing in the beginning, this would have been so much better" or, "No, I've gained so much experience through all these things that this has been the best route."

**[0:03:42.2] MA:** I think I can answer it two different ways. Well, firstly as growing a business in general. Our company GEC Realty & Development, which really houses the construction, houses the management, houses the brokerage and facilitates a lot of the investment side of things, if I would have grown and hired people faster, that would have helped me move faster. So my favorite book right now is the *Who Not How* by Dan Sullivan and that – yup, I've been mailing it out to people left and right. If I would have found a lot more "who's" early on versus trying to figure out the "how" and then, if anything, paid myself less to be able to invest more back into the company earlier. That's kind of the business growth side of things.

On the real estate side, I think I would have focused, bigger, faster. We did almost 500 single-family to flat, three flat type properties, I would have maybe done something a little differently as far as maybe gone a little bigger, faster, earlier on or at least doing a combination of both, maybe I know a little more syndication at that point.

Just kind of going bigger, faster and then having the right people around me sooner versus trying to figure out everything by myself with probably be a couple of pieces of advice.

**[0:04:50.7] WS:** Some great advice right there. I mean, if we just stop the podcast right there, that would be great value. I mean, if everybody listening would think about, who are you surrounding yourself with? For one, and have you hired somebody to help you with some of these things that are maybe better at some specific task than you? Are and just get that completely off your plate, give it to somebody that's better at it anyway and you're going to move so much faster.

What about, we briefly talked beforehand just about how you've connected with the right people, just how you've networked and how that has helped you to gain success and I know we talk

about it often but I feel like still, people don't do it and they don't do it well or they have the wrong thought process behind how they're connecting with people and their motives, things like that. Can you speak to that?

**[0:05:36.1] MA:** I think I've always wanted to connect people, I think maybe from an earlier age, it was more of to be like that, I don't know, maybe it's wrong, ulterior motives in there but it turned into that hey, I realized that if I make other people money, they'll bring me back business or they will refer us.

It turned into really just after going through all of the development and probably the first 10 years of my career, all the mistakes I made, just then turning so many opportunities into, "Hey, I did it this way and this is how I did it wrong." Teaching experiences where I take that extra time or maybe talk to someone on the phone for a half hour. I know they're not going to hire us for management or I know they're not going to buy a property from us but the value that, or maybe tens of thousands of dollars I might save them for making a wrong mistake. It might not necessarily come back from them directly but it comes back to me just from somewhere else in life.

The one thing that, to help people, especially here in Chicago, one of my goals is to really – we have a lot of out of state investors here in Chicago and to help out of state investors understand what the market is like here. I try to point people in the right direction and I have a pretty good circle, it's called sphere of influence that you know, someone calls me up from California, wanting to invest here in Chicago or the suburbs, "Here, these are the three people you need to talk to, here's the six videos you have to watch and here's the ebook with the nine things that you're going to get screwed on."

That's kind of the mentality I take in trying to help people and people remember that. People, that candid conversation you have with them, when they know damn well they're not going to hire you either, they remember that.

**[0:07:04.8] WS:** Were there specific ways that you connected with those people as far as, you know, did you find specific places or groups or anything like that when you were getting started,

even as your business has grown and you've done different things. What did that look like as far as finding those people to connect with?

**[0:07:21.0] MA:** Any one of these BNI type groups on a local networking level, the chambers and all of that stuff, I think that's where I got started. That's a very small world and a very local market and then expanding past that, you know, getting into places. I think BiggerPockets today to me is still one of the best places for me to get to know other real estate investors and if you're on there adding value, that's huge for us and then of course, we've expanded our influence through our podcast, which is all about educating people on Chicago, what it's like to invest in Chicago for anything from a single-family to a trailer park I guess, there's different topics you talk about there.

**[0:07:55.5] WS:** Was that your focus? I mean, when adding value to others, a lot of people say, "I've not done anything in real estate yet, I don't have any value I can add to people." What do you say to that or how did you do that initially?

**[0:08:07.1] MA:** Well, I think that is a lot of yourself getting in the way of yourself. I think everybody, any noob, that's what my kids – they call me a noob on all these different things, that's the word for newbie I guess nowadays. Any newbie type investor coming into the market, they have something. They might have a marketing expertise, they might have – for us on our podcast, we have three or four people that have different – They want to be in real estate but they haven't done deals yet but one's working, helping us find sponsors or one's helping us coordinate the YouTube videos and all that stuff. Everyone has something they can contribute and when you look into being in real estate, there's plenty of your own kind of superpower that you might not even realize you have. You might just be really good at coordinating things or keeping organization when you can help a local real estate investor that isn't as savvy at staying organized but is good at facilitating big deals. I think everyone has value to add to somebody else. They just have to kind of look inside themselves to find that.

**[0:09:03.9] WS:** I like how you, just right off the bat, said, you're getting in the way of yourself and I could not agree more, yeah, change that mindset altogether but you mentioned like focusing on Chicago. That's your expertise, that's where you're at, that's where your business is, so you're not telling people in Dallas about Dallas, right? I mean, you are focused on that.

How has that helped? I mean, I know it does, niching down in almost anything, helps you to gain just more knowledge and more credibility about so many things but can you just speak to that? Niching down to focusing on Chicago as opposed to the mindset of, “Well, that’s just going to limit my network too much.”

**[0:09:41.1] MA:** I’m very lucky that Chicago is a huge market but even, there’s a lot of cities that are half the size that your listeners are from. We have 10 million people here in the entire market but you know, even a million person market is still a really good area to play in and really focus in on.

I’ll even take it even down a notch, we’re even focusing on smaller stuff. I call it hundred units and under and down to even single-family a townhome-type investing. We narrow ourselves down even more and there’s – think of how many people you really need to work with and then you kind of go from there.

For us to be successful, we really only need to bring out 400, 500 new clients to really hit our goal, which is to 3X our company. When you look at it that way, it’s not many people. You really kind of have to go after what you’re looking for in that sense and be able to hone in.

Now, let me add one more thing. What I’ve become good at as well too is when I’m talking to somebody that’s from California and they’re looking at maybe a Texas market like Dallas or San Antonio, I know the property manager in San Antonio or Dallas that I’ll refer them to, “Hey, listen, if you’re looking down there, check out this person. They’re going to be the person that’s going to guide you.”

I try to – if they’re not going to buy in Chicago, they’re going to buy in Memphis, I’m going to make sure I connect them with the people that I have networked with over the years through different forums that I know are going to take care of them in other states.

Now, you add value there by just saying, “Hey, listen, I might not be able to help you but this person will be able to help you down there.”

**[0:11:00.6] WS:** That's awesome. No, you're adding value to them in a big way and they're going to remember that so maybe when they do think back about Chicago, you're going to be their man, right? Quality referrals, I love that. I wanted to shift just a little bit here, because I noticed like in the bio it says, "Chicago's most responsive property management company," and I wanted to learn a little more about that because I think it's so important, just the response time, communication with your property management team.

No doubt about it. How have you all that title?

**[0:11:30.2] MA:** You know what? It was something, it was secondary to actually, you know, we trademarked that Chicago's most responsive property manager. We trademarked that last year but it was secondary. The actual trademark was secondary. We realized, everything I just told you about, you know, us working with investors early on and doing all those things. We've always been super responsive. If you get an email, I'm a zero-inbox email inbox guy and we try to train our team to be similar. If anything, those are questions that we talk about in the interview process now for a right fit for new hires is the whole zero inbox concept. You know what? When people call, call them back. If people are going to email, email them back. If you say you're going to do something by Tuesday, you're going to do it by Monday night. Just laying out the expectation.

We're in the service business for property management where a lot of the customer experience is what's most important. The customer experience of why people are going to hire you and potentially why they're going to stick with you for five, 10, 15, 20 years is all about really that experience and a lot of it has little to do with pricing because our pricing is, you know, we're within 10% higher or lower of anybody else in our market. We're just going to get back to faster, we're going to make you feel better about our service.

**[0:12:33.3] WS:** Nice. I want to give you a minute or two to highlight the zero-inbox concept. You said you're a zero-inbox guy. I can remember, you know, before having a full-time assistant, I mean it wasn't uncommon for me to have 800 emails in my important and unread, which is, that alone just stresses you out right? Thinking about you got to get through those but now, you know I'll have 15 to 20 a day and we'll knock those out. I mean that I have to look at. Everything else, my assistant is taking care of one way or the other, right?

How do you handle that? Give us some concepts around that because that is a big issue for most people.

**[0:13:06.8] MA:** Well, the whole idea is when you're going through your email, every time you touch an email if it is something that takes less than two minutes, you knock it out and if it is something that someone else should do, you forward it on and if it is something that you're not going to get to until next week, you let them either know or you put it in your next week file. There's so many different tools out there today to kind of help you achieve that.

I have used ActiveInbox and another system called Sanebox that I'm just able to kind of filter things out and move things around quickly to be able to get to what really the meat of some of the important emails. Out of a 100 emails, five of them might really be crucial for the success of my company or my next step or maybe something that, a deal I'm trying to get done. Just trying to make sure that you are able to hone in on those and then not getting buried in an inbox that's got 11,000 emails. That's the important thing.

**[0:13:54.1] WS:** I remember I was listening to – I can't remember how to say his name, Eric Ries or Rees. You know, he's the Lean Startup guy. I know he talks about, a lot about what you just talked about, as far as the zero-inbox method, doing something with it right then as you don't have to come back to it again later. I think it's incredible and just that responsiveness just says a lot about you. I feel like that's a great touch with investors or clients, right? When you're just back to them right away.

Highlight I guess too some of the property management side, how you've had this growth. I know you in the bio too, it says like, you highlight in that show, you all talked about the struggles with strong growth. What does that mean?

**[0:14:33.3] MA:** I think anybody gets into the whole *E-Myth* concept. You open a bakery because you're good at making pies or you open a management company because you know how to collect rent but once you get to a certain point, you have to start hiring people and managing people and managing emotions and figuring out benefits and all of that stuff. I think a lot of that, that is where a lot of small companies get in trouble and that's why, you know, a lot



never make it or ultimately, you create a job for yourself and after 10 years you simply sell it because you're so worn out you'd rather work for somebody else.

I think a lot of our struggles overtime was, not even a lot of our struggles, I think we grew, back to that whole concept earlier that I said that we didn't hire people quick enough. We were always six months behind hiring the person that we should have been hiring six months in advance so call it, we were always a year behind the next person we were hiring and because of that, we would put the effort into hiring is like you sit down with them and say, "Oh man, I can see myself working with you," and then you hire them and they weren't even probably the right fit a lot of times.

You know, we went through some of that organizational clean-up. You know, a lot of when we're on the CNBC show, The Deed, it was highlighting a lot of those things. You know, the mistake that we ultimately ended up getting out on that show for was, we bought the wrong property.

It was really just because me, as one of the partners of this large investment group that we're running, I was still running around looking at properties because we had lack of systems or lack of people in place and getting past that was a lot and we've come a long way but as you grow, you know, any growing company you grow-grow-grow, you hit a ceiling and you got to adjust systems. Things break and you got to fix them so that's what I've learned to have fun with. Before it used to be a dread. Now, it's like, "All right cool," but a lot of that comes down to having the right people around.

**[0:16:11.1] WS:** It's a good problem to have, right? As long as you're willing to face that problem and tackle it. You get to see so many deals, you get to talk to so many investors, including your own deals, things like that and I love to ask people that are especially experienced as you are, you know, how they prepare for a downturn or maybe how you see other people preparing for a downturn. What do you see in underwriting right now? What makes the properties that you're managing or properties that you have in your portfolio, what makes them just recession-resistant over other properties?

**[0:16:40.7] MA:** Well, I think one benefit that we have going into this type of conversation right now, or I have with people looking at the market, is we've never hit, here in Chicago and Illinois,

we never hit the highs in call it 90% of the area that we were at in 2007. Now, the rest of the country, you guys have blown those numbers out of the water for the most part where we're still struggling to get out there and there's a couple of reasons for that.

You know, it took us a very long time to cycle through all of our foreclosures. We're a very slow legal judicial states, so we haven't hit that number. Buying here already, there's still plenty of numbers that makes sense that if you're on a hold mentality, you're not going to get burned but if you're into flipping, then obviously I think that flipping always comes with more risk and the bigger flips you're going after and the higher priced markets here locally, any little tweak or 10% adjustment will put you losing money and I see a lot, you know back in 2008, including myself, we all chased the market down. It's like, "All right, do I take a \$5,000 loss when I should be taking 20 and just get rid of it?" but then all of a sudden, two months past now you're taking 20 but it went down 30 and then we never had to do any workouts but then ultimately, people just ended up walking away from all of those deals.

You know, just having the right amount of equity in any given property and having some sort of exit strategy or the ability to hold. You know we bought some commercial properties in the last couple of years. We bought a handful of them and our biggest concern was making sure that our balloon was 10 years out. We weren't prepared for a five year. We are actually prepared to walk away from the particular deal if we had to figure out a balloon scenario in five years because that scared the heck out of us, because we saw a lot of people on the balloons get burned in 2008 to 2012.

**[0:18:23.0] WS:** Do you have any predictions or anything you think is going to happen in the real estate market over the next six to 12 months that's guiding your decisions?

**[0:18:31.3] MA:** I think it's just, you know, there's so many weird elements that have not come into play. You know what, here in Chicago we have a lack of supply just in housing across the board and we still have – money is pretty [inaudible 0:18:43], as it is around the country, to be lent out right now. It's such a weird dynamic of what's happening right now. I think the biggest thing I see happening in the next six to 12 months is nothing and I'll even take that out.

I could see this going into maybe a three or four-year type period, where you know prices don't do too much, rents don't do too much. They're figuring out some of these, there's a lot of steps that we're going to have to take and then kind of back ourselves out of this whole eviction moratoriums and that is not like, "All right, we turn this off for a year and a half and now we just turn it back on and go back to normal, business as normal."

There's going to be a lot of backtracking and figuring that out, so that's just going to cause this staleness to the market I think, for the next couple of years even.

**[0:19:23.1] WS:** You know, I mean you've been in this business a long time. You've reached a great, just amazing level of success. Any daily habits that you're disciplined about that have helped you achieve what you have?

**[0:19:32.9] MA:** Well, you know one thing that I've really – reading. I am not a reader though so, listening. The whole audio book concept, you know I'm married with a family, you know I'm not out socializing. Obviously, not out networking, but you know, when you have these books, I think that whole saying of, "You are the average of the five people around you." I like to look at it as books, so I'm gaining the knowledge in the average of the books I'm reading.

I think at any given time, there's books that I'm reading. Some are on business; some are on real estate investing. I am a big person of biographies of successful people, just to hear their ups and downs in whatever period of time in this world they came through and then mindset. Those books on mindset, you used that word earlier, I think that is so much of this because will and optimism only gets you so far. It's the mindset that's going to carry you through the tougher times when your optimism is wiped out for something.

**[0:20:24.3] WS:** Any books that you would recommend? I usually don't ask for book referrals but, you know, if you're a big reader or listener, I'd love to know. I love that thought process too, I've not heard that before as far as it's like the people you're surrounding yourself with. You're reading these books of people that you would like to surround yourself with, right? Or think like them and so I can see that having a similar effect on yourself but any books as far as that you just say, "This is a must-read" or bios for mindset?

**[0:20:52.0] MA:** Well, I think, so mindset, you know I like the *Who Not How* of course and *Atomic Habits* is the other one that I really like that's all about habit stacking and it's a good mindset book but as far as real estate, I love this book and *The Road Less Stupid* by Keith Cunningham. Have you heard that?

**[0:21:07.9] WS:** I have. I've read most of it but I don't have it in here. I've got it in another room where I've been reading it but yes.

**[0:21:13.3] MA:** It is such a great book and I always tell people this when I give, kind of, presentations to local real estate groups is, I think it's chapter 12 in the book or track 24 or whatever but he goes through like the 21 things like the hardest lessons he learned about investing in real estate. Now, he went from being plus 200 million to negative 200 million in a down cycle back in the 80s but the lessons he learned are so practical for anybody, now, 20 years from now or 30 years from now. So anybody looking at whether it be single-family or syndication or anywhere in between, this is just like a great book for anybody in real estate.

**[0:21:45.2] WS:** I love that. I appreciate you bringing that up. It is a book that like I said, I've read most of it. I look forward to getting back to the rest of it but what's your best source for meeting new investors right now?

**[0:21:55.2] MA:** BiggerPockets and probably people sharing our podcast right now. We're actually nowhere near what you have as far as the podcast but we're starting to pick-up some speed and people that we don't necessarily know are sharing with other people who sharing with other people. You know our goal with the podcast was to be the go-to podcast if you're either new getting into real estate in Chicago or out of state getting into real estate in Chicago and that is starting to pick-up some steam.

**[0:22:18.0] WS:** What's the number one thing that's contributed to your success?

**[0:22:21.0] MA:** Responsiveness and just getting it done and doing the things on the days when you just don't want to do it or you don't think it's going to lead to anything and some of the meetings I wanted to cancel that morning ended up being the meetings that three or four or five

different connections or events later turned into some of the biggest opportunities in my life. Just kind of perseverance, I guess.

**[0:22:41.2] WS:** How do you like to give back?

**[0:22:43.2] MA:** Any sort of – you know what? I am putting together a BRRRR webinar right now and all of the mistakes we've made on BRRRR but you know that, our presentation is like that of all of the mistakes I've made and just coaching people on mindset.

**[0:22:53.9] WS:** Mark, it's been a pleasure to get to know you, just an amazing story and journey to where you're at now and just all the experience in real estate that you have and just really having the mindset of adding value to others and networking in a way that you're focused on that person and so you're just giving more and obviously, you've accomplished a lot because of that, whether that person individually helps you or not. Getting quality referrals and how you did that, even the book stuff and the zero inbox, all of those things, grateful for just the tips you've provided. How can the listeners get in touch with you and learn more about you?

**[0:23:25.0] MA:** Hopefully, we'll get my cell phone here in the show notes and you know, you can find our website, [gcrealtyinc.com](http://gcrealtyinc.com) or check out our podcast. We should get a download on iTunes anywhere, Straight Up Chicago Investor.

[END OF INTERVIEW]

**[0:23:35.4] 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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