

EPISODE 946

[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 Whitney Sewell: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is Sumeet Makhijani. Thanks for being on the show Sumeet.

0:00:33.5 Sumeet Makhijani: Hi Whitney. Nice to... Nice to talk to you on this podcast. Thank you.

0:00:36.2 WS: Glad to have you on the show, Sumeet had shared he's been listening to the show for quite some time, it's interesting, I was... I was telling him I'm hearing more and more people who have been guest recently who've been listening for a long time and just doing big things in this industry, and so a pleasure to have you on, Sumeet. He was born and raised in Chattanooga, Tennessee, and became a plastic surgeon before start in commercial real estate as a passive investor.

He did transition to active investing about five years ago all while working full-time, he and his partner founded East and living communities to acquire and operate mobile home parks. Sumeet, welcome to the show. Give the listeners a little more about who you are and maybe like why mobile home park?

0:01:16.5 SM: Yeah, Thank you, Whitney. I appreciate it. Yes, I was born in Tennessee, I went to college in Omaha, Nebraska, a great university, and that will kinda come back into the story later on, but I went to medical school, Tennessee, back at my state school, and then finished six-year plastic surgery residency in Albany, New York. And currently live in Cooperstown, New York. So the focus might have known about Cooperstown to the Baseball Hall of Fame, that's kind of our claim to fame, but we actually...

There are people who live here full-time, and I'm one of them, about 2000 full-time residents, a little small area. But yeah, I got into passive investing first, I knew some other doctors who told me that passive investing may be an option for me, and so I looked into that, actually hooked up with a multi-family syndicator out of Indianapolis, I actually heard him on a podcast, I thought he was real reasonable and seemed like an honest, straightforward guy, based on his conversations.

I called him up, we had a conversation and invested very quickly thereafter, probably learned a few things, probably shouldn't just jump into a syndication with the first person you talk to, but that's kind of what I did and then started as a passive investor, really liked what I was seeing through that in terms of income and the experience and the financials, and learning about multi-family syndication, and so I thought I was gonna become a multi-family operator myself, that was kind of my dream and intention.

So I actually went back to school, I guess. I just loved being in student debt, as I tell people went back into school and got a Master's in Real Estate, 'cause I thought I loved education, I loved learning, but didn't have a lot of experience in commercial real estate, so I wanted to get a degree to maybe make myself more confident, but also to provide a confidence to investors if I ever approach them for money. At least I knew I had invested a lot of time and energy into this.

So I went back to school, I took about two years to get my master's degree. And...

0:03:10.2 WS: This is after being a plastic surgeon? Is that right?

0:03:12.7 SM: Oh yeah, while I was working full-time, went back into that kind of part-time online, and finished that in about two years and thought I wanna be a multi-family developer, that was kind of what my degree was in leading me towards, and so I actually... I've met my partner, and at seven or eight years ago, we both had been interested in real estate, and so that kind of led to us starting a multi-family development in Omaha because we knew the area, I knew the market.

Knew some developers also in the area and so I just should have a 96 unit apartment development completed here in September, October this year is been a four or five year process start to finish. And so that was kind of my intention was to be a multi-family developer, but along the way, my partner, VJ, who I have a lot of credit to for carrying me along in this journey, I was really interested in mobile home parks.

He'd kind of been interested in it for about 10 years and says to me, We should really look into a mobile home park investing, kind of in a boot camp with the well-known mentor and... So let's get into mobile home parks. I kinda looked at it myself, I really had no idea about mobile home parks, but I really like the business, like the tenant based, thought I was really, really smart.

So we started easy living communities, and we've been in the mobile home parks space for about eight months now, we bought four parks in eight months and all through the Midwest primarily, and just looking to expand our business.

0:04:38.5 WS: So interesting, not only had you been to school for how many years as... To become a surgeon, right?

0:04:45.2 SM: Yeah, College Medical School and then six years of training... Yeah.

0:04:48.6 WS: Give me just a couple of things around. I mean, you're a surgeon now, you're working full-time, probably some pretty hard hours there, but it's like you know what you

wanna get into real estate, you wanna have that degree so you can show some credibility to investors and just in this industry. How did you manage that? Give us a couple of tips around that before we move on, around managing that type of career, plus going back to school.

I'm sure you received some criticism from probably family and friends, and what are you thinking, you spend all this time and money over here for this career and now you're gonna go do this real estate thing, what was some of that like... And how did you manage that?

0:05:25.7 SM: Yeah. So managing it was... I think I've always been good at time management when you're in medical school and your training and you're working ridiculous hours, but I kinda like the grind and enjoy the hassle, so to me, it wasn't really anything out of the ordinary actually working one job, finally when it became an attending and just having more of a regular schedule, kind of in some ways, seems a little boring to me.

So I wanted to kinda maybe add a little bit more to my life, and so that's why I decided school was an option for me. Basically, I work all day and then I was taking two or three classes a semester online, and so my evenings and weekends were tied up when I wasn't working at the hospital, I was educating myself in my classes and going through that process...

0:06:11.0 WS: Go ahead.

0:06:12.0 SM: I was gonna say a lot of people did question it, I wondered what I was up to, but to me, I wanted to get that credibility, I wanted to educate myself. I love education. I tell people, if I could be a full-time student for my whole life, I probably would have done that if I could have before for to stay in school forever, I would have done it. But I really wanted to just get more knowledgeable on the subject and feel more confident when I went to investors

0:06:36.3 WS: And was your goal to go full-time in real estate or are you still a surgeon today? And do you plan to continue?

0:06:41.5 SM: Yeah, I've been a full-time surgeon up to... Actually, January of this year, I went

part-time, about half-time, and so my partner VJ, he's an attorney, he's actually a full-time in our business, he left his law practice and I'm getting down to half time, and I don't know if I'll ever quit per se, but I kinda love the balance that I have now.

I work basically two weeks straight as a doctor, and I have two weeks off to work in our real estate business full-time, so that's kind of our that we have now, and I really enjoy it.

0:07:10.8 WS: Yeah, it just shows a master level of commitment though, this career that you had, you worked so hard for, but then to say, You know what, this could be a great thing, it's real estate business over here, I just want the listener to hear that it's a mass sacrifice here, it sounds like for your business partner as well, having a practice for a law practice and giving that up to go into this full-time, and so tell me though, you all then closed on...

Would you say four parks in six or eight months. Tell me some tips so that allowed you all to get that kind of a momentum right from the beginning?

0:07:43.4 SM: Well, what we kinda... I think part of this business is luck and timing, I really believe that, but also we had developed relationships, my partner VJ had a good relationship with a broker in Omaha that we knew, and our broker really had never sold a mobile home park and 30 years of commercial real estate, but when we approached him about buying a mobile home park, he said, well, I just happened to have a listing that has come to me and would you guys be interested and we said, a perfect timing.

Let's look into it. And that really led to our first purchase, and the appraiser on that deal hooked this up with a foreclosure park, so he connected us to that one, and then we had known a broker in another market through multi-family that we had been looking for at that time, and he had a park on the off-market that he kind of presented to us, so that was our third one, and then the original broker and Omaha brought the fourth part since he was... Had another connection, so it was just kind of timing, one thing led to another.

We feel really fortunate that we were at the right place at the right time, but I always tell people,

you kinda gotta be in the game. To be in the game. So it really was just, you've gotta just kind of be out there, putting yourself out there talking to folks, connecting with people, to really kind of get into a lucky situation.

0:09:04.7 WS: You have to be in the game to be in the game, but it's interesting, you talk about relationships, and it's so crucial, and people always ask even about this podcast that's doing a daily show, all those things and say, well, you know what, I'm getting to develop 30 plus or new relationships every month. So think about that, it doesn't come without a lot of hard work, but it's so worthwhile because of these relationships.

And so you had a broker relationship that led to a deal, then the appraiser led to another connection to a deal, and it just snowballed, but tell me three of those were I believe... Or correct me if I'm wrong, were syndicated... How did you know how to syndicate? How did you learn that process? I mean, it's not extremely complicated, but there are some things that can be overwhelming if you don't... You just know a few things... Or have somebody to guide you through that process. The first time or two, how did you all get into the syndication business?

0:09:51.1 SM: Well, I educated myself about syndication just through books and podcasts and things like that, but I think I had mentioned before, my first involvement in investing in commercial real estate was as a LP or passive investor with a multi-family syndicate. So I had kind of been on the other end of the syndication process as a pure investor limited partner, and so I had seen the PPM, the operating agreements, the documents.

I'd seen the way we had spoken when I first connected with my original syndicator, and so I learned through that experience quite a bit, and when it came time to syndicate, of course, I kinda knew the general process, but obviously I got a syndication attorney on board very early, who again, walked us through the process, so it was a combination of my own experience and then reaching out to others who had more experience.

0:10:47.1 S1: Okay. Still relationships sounds like...

0:10:50.0 SM: Yeah. For sure, for sure. Exactly.

0:10:52.3 WS: So now you are looking to expand. Obviously, we all are right. We're trying to figure out how to do that, what are the bottlenecks that we can take out of the growth of our business, and how do you look to do that? How are you moving forward for growth?

0:11:06.9 SM: Right. Up to now, we've kind of invested our own money in these deals, but we've also approached friends and family, and they've been extremely generous with some trusted us from the very beginning, and so now we've raised money deal by deal in each of our syndication, but as we move forward, we're moving towards more of a fund model, which I know you've talked with the number of syndicators on your show with me about going to the fund model.

And we really think that that's kind of our next evolution which will allow us to scale and provide investors with a little bit of a different flavor in investing.

0:11:43.4 WS: Nice. Well, how do you know, I get this question often, and we talk about funds, but how do you know that like you all are ready for a fund? What are some things that you considered to say, you know, this is the time for us to start our own fund?

0:11:56.9 SM: Well, raising money deal by deal has been educational and beneficial, and I really, really do believe that, and a lot of our original investors now I wanna come back in for more investments, or they might have friends and family that we can connect to, so before we were kind of always just close group that we had in our circle, but now we kinda wanna expand our circle, so we think the fund will allow us to do that. That's one thing.

The second thing is, every time you're raising, you're raising it for one deal, and if we can get a large enough fund, it will allow the investor to spread their risk and benefits through a number of different properties rather than just focusing on that one particular investment that they may be in... So for us, it was a combination. We wanted to scale, we wanted to grow fast, or we think with a fund, we can probably double our portfolio in a portfolio purchase maybe.

So we see it as an opportunity to get more investors to provide them more risk stratification and to also scale our business.

0:13:03.3 WS: Nice, will that be a 506B or C?

0:13:06.0 SM: We're looking at a 506B.

0:13:08.0 WS: Okay, so is that means anybody that invest, you have to have a preexisting relationship with?

0:13:13.0 SM: Right.

0:13:14.0 WS: Can you share anything around just to structure that fund or things that you're thinking about how that's structured or how long would that fund last... Things like that.

0:13:22.0 SM: Yeah. So we're currently working in the fund documents with our attorney, so a lot of that hasn't been completely prepped the paper, but mentally, we've kind of always approached our deals as a straight split, so we've done just straight split since I have a craft in a split... We've just done straight splits, we feel like that's been most beneficial to our investors and just getting them on board, and we're large investors ourselves and our deals.

So we probably anticipate another straight split situation and we will raise money for a period of time, three to six months is kind of what we're looking for, what could be extended if need be, and trying to raise a decent amount of money so that we can go out and buy in portfolio type purchase in the mobile home park space.

0:14:04.5 WS: Nice. Any other things that are... You all are working on that are helping you to scale or to find the next deal, anything around that where it's helping or you can see just more growth this year or to get to you... I think you had a goal, 500 units, getting to 500 this year. What are some things that you all are putting in place to help you get there?

0:14:21.8 SM: We feel like we do a lot of things a lot of other people in our market and markets are doing and also in our industry, and that's basically direct mail. We do a lot of direct mail. I don't know if you're familiar with reanime, but I'll put a plug-in for reanime. We purchased Reanime to connect directly to sellers, we feel like that's a great tool, and we also call call sellers, we are in constant contact with brokers, fortunately, a lot of our deals have come with brokers, which is great, so we wanna keep that broker relationships are constantly talking to brokers.

And things just kinda like I said, you talk to enough people sometimes things kind of follow your way, so we're doing all the common things that other people are doing just hoping to get the next break or catch the next break in our business.

0:15:08.1 WS: Sumeet, how do you or the mobile home park business, have you prepared for a downturn? Maybe similar to like this last pandemic, this last year, how do you prepare for something like that when you're purchasing a mobile home park?

0:15:19.0 SM: Yeah, so we obviously try to go into the investment in a cash positive situation... Every deal is a little different in mobile home parks are really unique, they've all got their quirks, and so you try to get into the investment knowing that you've got upside in the investment and that you also... We also tend to really over-raise when we go into these investments, so we have a healthy reserve at all times, and we also factor in no improvements as we were getting into the park.

So we think we're in a good space. In the mobile home park space, and that it's a very stable tenant base, it's very affordable, so we feel this is going to address a huge issue for Americans, and so we feel like we're in a good space that helps in a downturn, but also we tend to over-raise, we tend to have a large number of reserves 'cause things do pop up, you can't find every little thing and due diligence that you might want to hope for.

So you're always available with funds to improve things or fix things that you might not caught

earlier.

0:16:23.4 WS: Do you have some kind of method there to know how much you need in a reserve account?

0:16:29.6 SM: Yeah, we typically factor in a certain amount per lot, so we kind of mentally raise that amount and typically, this is what we would expect to have reach a lot in reserves, but some parts we go into... We know we're gonna have to put a lot of work into the infrastructure, or we bought one part knowing we'd have to repay all the roads, so we knew that was going to be an investment we were gonna make right at the beginning, so it's variable based on the investment, but certainly kind of lot reserve in mind.

0:17:01.7 SM: And do you have any predictions for just the real estate market or mobile home market specifically for the next six... 12 months?

0:17:09.2 SM: Yeah, I mean... Since we've been in the mobile home park business, I feel month-by-month things have gotten hotter and hotter, more competitive prices we've seen have just risen like crazy, so there probably will come a point where things come back the other way, but in this market, what we've seen in the mobile home park space, just gotten more competitive, cap rates have compressed, prices have gone up, and we're seeing record prices that across the board.

0:17:38.7 WS: Sumeet, do you have any daily habits that you are disciplined about that have helped you achieve success?

0:17:44.3 SM: Yes. I do. I actually knew you were gonna ask you this question, so I've been preparing for months a month to get my daily habits in order so that I could present them here, but when I work as a doctor, my schedule is kind of set for me, but when I'm working in the park business and our business full-time, I can kind of focus on how I wanna spend my time in which I think is super critical.

Time is so valuable, a health is so valuable. So when I'm working from home in our park business, what I really focus on are my faith, my family, my fitness, and in our work in the business. So those are kind of my four broad categories that I kind of break things down into, so I kind of give time to each of those things throughout the day, just kind of prioritizing those four aspects of my life as much as possible, so faith, family, fitness, and business.

Those are kind of the way I look at things. And so every day I've been trying to focus on those things. And of course, being a doctor, I'm always focused on my own health and the health of my family, so health is wealth Whitney as you know, so that's such a priority in my life.

0:18:55.1 WS: What's your best source for meeting new investors right now?

0:18:57.8 SM: So... Best source actually is a combination of our current investors who come back and want to invest with us again, but they're also linking us to a number of their friends and families, so that's been really, really fantastic. A lot of our investors are physicians just because of my previous background and current background as a physician, so I feel like I could connect and relate really well with physicians and educating them about passive income as an option.

But also my partner is very active on Twitter so we meet a lot of folks through Twitter, which I know is kind of... It sounds crazy, but massive amounts of money have been raised on Twitter and continue to be based on Twitter, so I think that's another source that we're finding is really very valuable.

0:19:42.7 WS: What's a Twitter technique that you can share?

0:19:45.3 SM: Well, I'm not the Twitter guys, my partner is, but just basically, I think on Twitter, it's just like anything in this visits, the more value you add to people, the more they want to relate to you and connect to you, so I think... And what I've seen in my partner and what he's done is just giving details of our deals or potential deals or deals that we passed on, or whatever it may be, just kind of educating people and sharing with them as much as possible,

really does bring in investors into your network.

0:20:17.0 WS: What's the number one thing that's contributed to your success?

0:20:19.7 SM: I think curiosity has been one of my biggest strengths, and then just being a hard-working person, just going after it, hustling and trying to grind as much as possible to build a life yourself that you see.

0:20:33.9 WS: And how do you like to give back?

0:20:35.7 SM: Yeah. So I give back in a number of ways, Financially give back to causes that I support and believe in. The second thing is, I've been fortunate enough to be asked to be on a couple of non-profit boards, especially we have a board at the hospital that focuses on providing care for folks who may not have the means or employees that might be going through tough times, so I'm a member of that board.

And really, really happy to be a part of that. The third thing that I always do is giving back in my profession as a doctor, I feel like that's one of my biggest contributions in my life, I'm fun primarily a reconstructive plastic surgeon, so really helping people who have massive problems or even minor problems, but reconstructing them building them back up to try to be whole, so I'm always giving back to my patients in that way.

And then educating other folks in this business, our past investors, people that I don't have a connection to it yet, but I wanna have a connection to... And I just love educating our residents and residents from the country about what they're gonna be going into as they begin their professional careers, so that's another thing, and our tenants... I spend a lot of time in our parks and get to know the tenant.

So I feel like we're serving them just in the sense of providing them a clean... Affordable place to live. Yeah, that's how I like to give back with in all those different ways.

0:21:52.5 SM: Awesome, Sumeet. Pleasure to meet you, and again, thank you for listening to the show and thank you for being a guest and just making it happen in the space, such an interesting story, going to all the trouble to be a successful surgeon within, seeing the opportunity in real estate and going after that as well in your business partner also is just an amazing journey there, and then also four parks in eight months, congratulations to you all.

Not everyone can make something like that happen, but just how you all... You spoke to just the importance of those relationships and learning the syndication business, and now moving into the fund model from having health reserves and all those things. I'm just grateful. Have you on, tell the listeners how they can get in touch with you and learn more about you.

0:22:33.5 SM: Well, thanks Whitney... I really appreciate your time to... It's been fantastic. There's several ways to get a hold of us, you can go on our website, easy living communities easy, a lot of people thought was an easy, but it's not... easylivingcommunities.com, you can call me on my cellphone if that's okay, to give out Whitney, I don't know.

0:22:49.0 WS: Sure.

0:22:50.0 SM: Yeah, we can call me on my cell phone, you'll get right to me, 402-850-1315. But if you go on a website, you can get all our emails and all that as well, so happy to talk to anybody I can help along their journey and always love educating, connecting with other interesting people, so thanks Whitney...

[END OF INTERVIEW]

[OUTRO]

0:23:08.5 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.

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