

**EPISODE 947**

[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]

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**Whitney Sewell:** This is your daily real estate syndication show. I'm your host to Whitney Sewell. Today our guest is Michael Episcopo. Thanks for being on the show, Michael.

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**Michael Episcopo:** Thank you for having me. I appreciate it.

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**WS:** Yeah. Honored to have you on the show Michael. Michael is a principle of Origin Investments, co-chairs the Investment Committee, and oversees Investor Relations marketing and company operations. Michael brings 25 years of investment and risk management experience to the company and believes that calculated risk, taking in an efficient market is a key to building wealth. Michael, welcome to the show. Tell the listeners a little more about your company, what you all focus on, and let's jump into some of your expertise.

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**ME:** Yeah, absolutely. Funny when you're reading that...25, I think that's even outdated. I think it might be closer to 29 or 30 now because I started working when I was 19 years old, so I'm

probably dated myself now. But as you said, I've been in the investment markets in one way or another for about 30 years. Real estate is my second career when I started in real estate around 20 years ago, investing passively and then founded Origin about 14 or 15 years ago with my partner. The way I got into this business is that I built up a tremendous amount of wealth in my first career at an early age. I was 35 years old when I stepped out of the commodity trading business and wanted to put my wealth work in real estate. I was exposed to real estate at a very young age. My grandfather was in real estate most of his life and I learned a lot about it by working at his buildings in the summer. I saw the success that it brought to him, the lifestyle that it afforded him. It was a career that was always in the back of my mind.

That was sort of the foundation and the niche that I had to get back into the market after my commodities trading career. When I look back, it was from 2001 to 2006, I invested passively with others, and I didn't have a great experience. The world was very different back then. You don't have this proliferation of deals on the internet and all of these different sponsors that you can find today. That was a pre-jobs act environment. But those experiences really led me to found Origin with my partner, and it was really because I thought I could do a better job with my own money. I went and got a Master's in real estate from DePaul University in 2006. 2007, I formed origin with my partner.

In the early years, it was - I think this is putting it nicely - but we were a family office. We pulled our own capital. We were looking for deals together. But it was really more like two guys buying real estate. But that slowly grew as we began to kind of syndicate deals to friends and family, to our network and that ultimately grew into our fun business. What still remains the same today though is that we used our own capital and looked at our funds and our own deals and we invest side by side with investors. We use Origin as a way to build our wealth. It's a distinct perspective. I think a difference of Origin is because our primary goal has always been to seek investments that we want to invest in. And we have more than 1600 investment partners today that grew from two in 2007. And really, there was a huge inflection point. I would call it about 2015 when we embraced the ability to market our company. 2015, we had 70 investment partners that was at the end of fund too. We knew we had a great product. We knew we had a phenomenal team. So, we started marketing it.

Today we have 1600 investment partners at the firm. Our investment strategy has evolved over time but I'll just talk about what we do today. Today, we invest only in multifamily, Class-B or better; Sunbelt markets, low tax states. We have really three buckets of capital: we do preferred equity, we do have a core plus and value add, - I'll put those in the same bucket - and then we also do ground up deals. We acquire deals directly. We work with sponsors. But one of our main, what I'll say advantages is, is that we have very flexible capital when it comes to acquiring deals. Our preference is to kind of swim upstream, transact off market where we can. We're generally not that competitive when you great deals come to the market. We're looking to work with sponsors recapitalizing deals - whatever we can to get that edge in deals. It's really about working with the same sponsors over and over because in our market, generally, we're working with a sponsor, we're going to be bringing 90 to 95% of the capital to the table.

Capital, that's a commodity; but good people are not. In our business, we like to think of ourselves as a great partner. We're reasonable. We do what we say we're going to do, and when things go bad, we work together to make sure that we can get the projects on track and get them up and going. COVID was a great example of that. Today, we're operating two funds: one is our income plus fund that's really an income oriented fund for investors; and then we also have our QOZ fund. There's been a tremendous amount of demand for that fund. But that's a very tax-efficient fund focused on ground up development in the last six months. As you and I were just talking about this Whitney, we've seen a lot of demand coming into the market. But this one, especially because of its tax efficiency, and we've had, more than 100 million dollars coming into that fund since, I would say, November 15 of last year to last four and a half months.

But one thing about our platform focus on is that it's about tax-efficiency because every single one of our investment partners is a taxable investor and this has become a big part of our investment strategy in the last few years because we used to be buy-fix-sell. One of the problems with that is that when you sell, you have the cash just sitting around, and most of our investors would say to us, "That's great. We sold. Why don't we hold? Why don't you do that?"

We kept getting the same comments. So, today what we're looking at is more of a buy-fix-and-hold strategy where we're buying great assets because when you pay the tax man every time you flip out of a great asset, that's just a huge tax to the investor and ultimately eats away at your returns.

All that matters in any deal is what you get to keep after paying the manager and the government. And real estate is incredibly tax efficient but too many people don't take advantage of that side of the ledgers. They flip properties. And in our belief, great investment should be held forever. And that's how true wealth is really sustained and created. And so we're really proud of our firm. We are located in Chicago. We have 30 team members who all have come to Origin from other institutional areas. We like to think of our self as an institutional platform for the individual investor.

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**WS:** Michael, there's so many things there I'd like to cover and/or like to ask you about. A few things specifically, you mentioned that in the last four and a half months, over \$100 million has come into your fund. That doesn't happen overnight, right? That happens over a long track record and history. Obviously, 1600 investment partners or investors. Congratulations. I know the work that goes behind building those relationships and that level of trust with that many people and investors. I want you to just speak to that a little bit - some marketing tactics or ways that you're building those relationships. I'd love to get into the fund a little bit as well, eventually.

But I'd love for you to highlight just maybe some of the marketing tactics. I know many of the listeners right now are trying to grow their investor base obviously, or they're trying to present themselves right, as this credible company so investors are attracted to them and trust them, build that level of trust. All those things that we're all trying to do. What are some tactics that you have seen that have been crucial for you all to be able to accomplish something like that - a hundred million in four and a half months is no easy feat.

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**ME:** No, no. That's not a normal four and a half months. Stars have, sort of, lined up. I'll take it back to 2015, when my partner and I just had this sort of 'Aha' moment. It came and it was only as a result of the JOBS Act that it's possible to actually market what we had. And if you have a great product and you put it in front of enough people, it's very simple to believe that they're going to buy it. That was kind of our thesis in the beginning. Prior to that, the marketing department was me and my partner. We would go out there and meet with individuals and have lunches and do things like they were doing for eighty years. And we're like, there has to be another way to do this.

So, we really rebranded the company. So we used to be called Origin Capital, and we wanted to make it more investor focused. So now we're Origin Investments. We rebranded our website as well because that's sort of our front doorstep. We hired our first marketing director at that time. What we also did - and this is a point that I think a lot of firms miss out - we started to build our Investor Relations Department and the customer service side of that to make sure that any of our investors, if they have questions, when they're onboarding, when they're an investor with us, they can get their questions answered. People get back to them, usually within a few hours, but absolutely within 24 hours. That was important to us to make sure that that leg of the stool... You can't just hit on risk and returns, but it's also that side of the equation. And so that's how we built a lot of goodwill and in any environment, just being responsive to people when they email you, getting back to them.

The simple things really, really matter because if you don't get back to people for two or three or four days, it's really indicative of how you run the rest of your business, so I'm really proud of the team that we built. Today we have seven people. We have one person starting next week. Seven people in our Investor Relations Department to handle everything we need from onboarding people to servicing our existing investors, sending out, reporting on time in a way that makes sense. That's what we fundamentally share. My partner and I, because we've invested passively in private equity in real estate and we've seen how frustrating that can be without a good IR department. The other side of that is the marketing department as well. In the marketing department, we have five people dedicated to that department and the overall arching theme of the marketing department is to create content for our audience to educate

them on this subject. You will hear this come up over and over. But the number one thing that you need with content is authenticity. There is a time to promote your funds. There's a time to do things. But you have to try it all times be a neutral party, and be authentic and not be writing about something and then all of a sudden promote your fund within there. Do something.

Those are some of the things that people really fundamentally...they look for authenticity with anybody who they're investing with. All too often you get these individuals who are on Instagram and doing this and showing on there. I don't want to go there but too many individuals are pumping themselves up and have egos and things like that. And you have to cut through all that. So for us, it's been a long road.

And by the way, this does not happen overnight. Building trust with investors takes a long, long, long time. You can't grow it overnight. So everything we do, especially when you are in a public forum that if we're not always on our game and always improving, and we are doing something out there that is creating ill will, that can just go viral within our community and shut us down. So we're very vigilant about that and cognizant about all the pieces of content. The way we behave, the products, how we market, and just making sure that there's a consistency and continuity. But it's not inexpensive. I mean, again, you know, I just need...We have more than 12 people dedicated marketing and investor relations to both educate investors and then surface them on that side and make sure that all their needs are being met.

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**WS:** Wow. That alone shows the importance of investor communications, investor relations, marketing, all those things we have 12 people dedicated to that. Are there some specific things that you could mention that have helped build that trust though? I know it doesn't happen overnight but what's been a couple of key things that's you know... 'We did this and this just really showed investors that we cared about them' or 'this really helped build the trust' and it also authenticity which is so important. I couldn't agree more. But what or how did you present that? What's a couple techniques, potentially, that have worked well for you all?

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**ME:** So, if I'm looking at one tactic, it's so hard to point to it. You can't just have one thing that you do that's great. I will say this, that my partner and I, even getting in front of people, we have monthly webinars where we have an open forum. We go out and we let everybody know about the performance of the fund. We don't sugarcoat anything. We open it up in dialogue where people can email in their questions. I think one word that you won't find on our website anywhere is transparency. You won't find honesty. Those things are so cliché. You have to show those things in what you do. If you go out there and you go and research 100 of these investment firms, you'll find those plastered all over the website. We said, 'Look, don't put any of those on. We're about showing, not telling.'

When we're doing webinars and people are emailing their questions in and we're answering them live or we get in front of our investors in our annual events, those are opportunities for us to just be open and honest and authentic and transparent about everything we do and owning what things we've done right, what things we've done wrong, how we're getting better, how we're growing the firm. It's really almost this cycle of accountability because when you put yourself out there, and you know that you're going to continue to put yourself out there, and you're telling investors that you're going to do X and Y and Z. And you're making certain promises, for lack of a better word, you want to hold yourself to those because we're an organization that really believes that you do what you say you're going to do. It's as simple as that.

I wish I had one thing for you, but I think it's the ability for us to be available. It's the quality of our team who we've hired. Even in our Investor Relations Department, everybody who we hire has a real estate background, but on top of that, we put them through a very rigorous training program. And so when they call up and they're asking questions, there would be no difference between somebody talking to me and me answering the questions and somebody in our Investor Relations Department, answering those questions. And that professionalism extends to our asset management group. It extends to our acquisition group. We're constantly trying to let people know how we operate because there's a cost, right? What are you paying for? And then there's value, right? What is the value of the fees that you're paying and how much are you willing to pay for that service? It's really about the quality of that team over and over.

But trust is one of those things that's hard to build. It's easy to lose it quickly. It happens over a long period of time, doing different things. I'll just go back to this hundred million dollars that we raised over the four and a half months because there were a few things that sort of - when I said the stars lined up - and one of them was the end of the year. And so there's some tax dates with QOZ but number one, we were actually floating our unit price at the fourth quarter of last year, so there was a rush to get in before we floated it. And then in March of this year, this was... March 31 was the deadline by which you could put 2019 capital gains to work. So those two deadlines.

Deadlines are always important when you're raising money that people, you know like, have a reason to actually invest. We don't use deadlines though, or a sense of urgency as a way to get people to act quickly without doing their due diligence. So these are things that we're communicating well in advance. I'll say one of the challenges I see today, because there are tactics out there that work no matter what market you're in: a sense of scarcity and a sense of urgency. And people always act on those. However, when you're in an investment market, that's not what you want to be doing as an investor. You don't want to be making a split-second decision in investing. And so some of these platforms out there, what they're doing is they're setting you up on a webinar where you get to listen for 30 minutes and then you have two minutes to decide whether you want to invest. It's great for the platform, but not for the investor. And we really fundamentally believe there is not...

Out of the 1600 investment partners, we are not a click-to-invest firm. We want our investment partners to ask a hundred questions and know exactly what they are getting into because everything is about expectations. And even if you deliver here, but their expectations were here, you have disappointed them, right? And we don't want people learning after the fact, "Oh, I should have asked that. I should have asked that." But give them plenty of time. That's a long-winded way of saying there's no shortcut. It's a lot of things that you have to do between setting up a phenomenal team, delivering on your track record, being available to them, and just showing consistent service and performance.



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**WS:** That's a great answer. I love that. I just want the attention to detail around the relationship with investors. I think it obviously shows long-term commitment to them. Would you just walk through maybe the first... you know if somebody signs up on your website or somebody tries to reach out to you as an investor, what are some of the first few things that happened with them just so you're showing that level of commitment like that.

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**ME:** If you go to our website today, and this has sort of been an evolution but we just revamped the website recently. So you can be anonymous. And you can go in there and you can download our fund documents directly. Or you can go to our website and you can actually... There's a box in there where you can actually connect with one of our investor relations content or personal investor relations individuals there, book a meeting in their calendar, you can connect with them right there if they're available as well.

Or you can just email any of them as well. [InvestorRelations@OriginInvestments.com](mailto:InvestorRelations@OriginInvestments.com) and somebody will get back to you immediately. But we wanted to really, you know... because there's some people who want to talk to somebody right away. But I will say that conversations are always better when you've done your due diligence, when you've read those. I'll say this: there's nothing worse than somebody going to the website, not reading anything, and then taking up the time of our people in our Investor Relations Department. "Tell me about Origin." You can learn about Origin on our website. You can learn about Origin by looking at our deck and stuff. It's always better if people have taken the time to download the deck, look at the website, really understand what it is they're looking for, and then have a better conversation that's a lot more nuanced rather than something at the 50,000-foot level.

So, again, we believe in the customer journey... Everybody's in a different spot, so people want to just browse and peruse, and some people are ready to talk to somebody in Investor Relations. But the whole process we make as simple as we possibly can from onboarding to even investing in funds itself. So we streamline the process which can be quite daunting. I mean, if you've ever invested in private real estate, you have a wealth manager and he sends

me these packages that are about this thick and they're all tabbed out and they're still not in the kind of 21st century today.

But everything we do is done by DocuSign. So, we have a support team there that handles all of this. We have continually tweaked those documents so if there's any areas that are confusing, we make it super easy and simple. Anytime somebody wants to check on their investment, we have investment portals that they can log into and see the status of their investment. We've really embraced not only the team but also the technology behind that to be able to service so many investors.

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**WS:** That is awesome, Michael. Unfortunately, we're running low on time. If possible, I'd love to be back and talk about funds and fund management, pros and cons, things like that, if that's an option to have you back in the near future. But a few final questions. Do you have any predictions for the real estate market over the next 6-12 months?

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**ME:** Great question. You know, I don't do the crystal ball. That's something I write about. Nobody has a crystal ball and I'll take this back to commodities trading days. I was a great commodities trader not because I knew...I can see around corners. But I reacted to the market and where we were. And I would say one of the things that we're really good at is risk management. It's all the things you do today that regardless if the market goes up or if it goes down, that your position to withstand, to take advantage of the market going up, and also withstand shocks if the market goes down.

I can tell you that sitting here today there's some fundamental things that are happening that are a little concerning. 10 years now up to around 170 borrowing rates have gone up to three and a half, cap rates have come down to four. You don't have much positive leverage. You still have a healthy spread between cap rates and the 10-year treasury which is the risk-free rate relative risk asset. So, that is trading right around historical averages. Real estate is generally a levered asset so if you're borrowing at three and a half and you have a 4% cap rate, you need a

tremendous amount of growth in these markets to make that asset work. So that's a little bit concerning because you're just not getting the cash flow from the assets that you used to which can be a significant portion of the return. You have to be in either the value add sector, where you're creating more value in the project or ground up development which were engaging a lot today.

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**WS:** Yeah. I'd love to get more into that, maybe in another show. Any daily habits that you are disciplined about that have helped you achieve this success?

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**ME:** Daily habit. You know, I think my DNA... I'm really kind of obsessed with risk management, and that's one thing that's carried me through my last career and this career. So I would say it's borderline obsession, just thinking about risk because in our business and really any investment business, if you take care of the downside, the upside takes care of itself. And so you have to make sure that you're positioned well in the right assets, the right markets, that you take care of the downside, you're not using too much leverage. Even within our firm, making sure that our people are happy, that we have the right people in the right seats, that we have the infrastructure, that we can pay for these people even if the lights go out like they did in COVID for a while. It's risk management all the way from the assets themselves through the firm and the way we run it. I think that's something that my partner and I really share together. It's fun to talk about the strategy for the company and the deals and things like that. That's something that on a daily basis I'm thinking about.

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**WS:** How do you like to give back?

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**ME:** On a personal level, I do, as well and in the last year, COVID...We actually had a program where we chose three charities. When COVID hit... because it was an awful time and there were a lot of people who were really hurting and we're an investment firm. And it almost feels

wrong to be making money during a period when there's so many people who are suffering. What we did is we donated for a period of time our admin fees. So when people were coming into three different charities: Feeding America, Doctors Without Borders, and I believe the other one was Rubicon. So we donated about \$70,000 during that period to those three and just helped out people in need.

That's something that is...my partner and I strongly believe in. He's incredibly philanthropic. He's pulled me into an organization that he co-founded which is 1 million degrees which is now going national - An amazing organization that we've both been a part of. He's really been the brains behind that organization. That's really focused on the community college level and helping students out so it's fantastic to see how that's helped transform and change lives. But many charities my wife and I give to as well. So it feels good to give back. We're fortunate to be able to.

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**WS:** Awesome. Well, Michael, it's been a pleasure to get to know you and hear more about your story from your grandfather's real estate to now growing your own investment business and doing extremely well. I mean hundred million in four and a half months, like we said, did not just happen overnight. That's many years of relationship-building and you've obviously spent the time and energy and built the team to manage that well, and thinking through having a dozen people on the marketing, investor relations, showing us the need to take care of investors well. It's just great for the listeners that are here. I'd like to say I'd love to have you back, and let's talk about your fund and fund management and some of those things, hopefully in the future.

But for now, how can the listeners get in touch with you and learn more about you?

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**ME:** Well, our website [OriginInvestments.com](http://OriginInvestments.com). They can go there. They can connect with anybody from investor relations. I'm always available as well. My email is [Michael@OriginInvestments.com](mailto:Michael@OriginInvestments.com). You can email me. I'll put you in touch with the right person

out there. I'm happy to connect, talk real estate, talk about Origin, and whatever.

[END OF INTERVIEW]

[OUTRO]

**0:25:44.0 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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