

EPISODE 1035

[INTRODUCTION]

[00:00:00] 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]

[00:00:24] WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today our guests are Jenny Gou and Steven Louie. Jen and Steve are both managing partners at Vertical Street Ventures, Jenny currently oversees asset management and investor relations, while Steven is responsible for acquisitions and sourcing capital. These two provided amazing content today, just about their partnership, how they partnered, how Jenny really went from zero to 950 doors in 12 months and how they're now able to raise many millions of dollars in a very short period of time, how they've used their previous networks and different things that they've done, I hope this show helps you to build your confidence in this business and grow your business at the same time. Hello, Jenny and Steve, welcome to the show. I've read your bio, of course, and I'm very interested in how you all have been so successful in such a short amount of time, I know it's a lot, you know, it seems probably like it happened just overnight, but I'm sure there's a lot of work that went into making all of this happen to the success that you all have had. Let's get a little background, Jenny, Steve, on where you were all were at a few years ago and how you came to this indication business and why...

0:01:35.5 JG: Absolutely, thanks for having us. We're super excited to be here. I can start. So again, my name is Jenny Gou. A little bit of background on myself, I spent 13 years in corporate America working for a company called Procter and Gamble, so I sold brands like Dawn, Cascade Swiffer, Febreze, setting sales strategies, managing cross-functional teams, loved my job, but at the same time started dabbling in real estate. I'm sure many of your listeners out there started on

the single-family side, got a couple of rentals and then quickly learned about scaling and getting into multi-family. So that's what we did, we jumped ship over to multi-family, and at the same time, I just loved the industry so much, wanted a more flexible lifestyle, and so I left my corporate W2 job back in February of 2020, and then have been head first in multi-family ever since and then, more recently, my partner, Steve and I started Vertical Street Ventures earlier this year, and have been doing syndications full time.

0:02:33.8 WS: So, why real estate? You had the corporate job 13 years. You loved that. I mean, why real estate? Syndication comes 'cause people wanna scale, right? You try to have a single family thing and it's like, this is gonna take forever. I did the same thing. Why real estate? Why not stay where you were at?

0:02:47.1 JG: Yeah, so we started with our why, so my husband and I sat down and our fundamental exercise was, what are our priorities and how do we wanna spend our time? Because we really didn't wanna work until we were 65, and so we said, Okay, how do we best generate income without having to work the 9 to 5 job, and obviously the light bulb was passive income to start there, and then we said, Okay, well, what could generate the best class of income with relatively manageable risk, and we landed on real estate and more specifically multi-family, that's kind of our thought process through all of that.

0:03:23.5 WS: Now, Steve, I know you have a long background in corporate America as well, tell us a little bit about that transition and why.

0:03:30.0 SL: Yeah, no, absolutely. Thanks, Whitney, for having us on the show. And very much like Jenny's, I was a corporate W2 Junior for about 25 years. And about halfway through my career, met with a financial planner and the financial planner actually said, Hey, you should consider something like real estate, there's a lot of tax advantages to it, and it's a real asset, you're heavily weighted in stocks and bonds and your portfolio might do well with adding in real estate, and at that point, probably about 10 years ago, I dabbled down into real estate and realized that there are those tax advantages that you can take advantage of, like depreciation, which we can talk about... And they gave me kind of a passion to work on real estate, one of the things was started in, like Jenny, single-family homes. Developed, I got a block of about 10

different single family homes, duplexes and four flexes and realized that I needed to graduate into multi-family, and we went to a seminar and that seminar really got me vested into multi-family about four years ago, doubled down on that, got a coach and next thing you know...

0:04:35.4 SL: I have 20 passive investments that I currently have as a limited partner, and then about seven that I'm a general partner on, and all that was while I was working my corporate job, I call it, from a corporate standpoint, had a very busy corporate job, I started in a cubicle and then ended in a corner office in my senior leadership type position.

0:04:56.0 WS: Nice, I just like the listeners to hear like you all had a great corporate positions, you've been in for a long time, it wasn't like you were just job-hopping, you gave up a lot to say, Hey, we're gonna go create this real estate business and are confident in moving forward in this and why... And some of that, we're gonna have to... I want us to speed up a little bit though, so we don't run out of time, 'cause I know a lot of the listeners are gonna wonder how you got to 950 units in 12 months and are able to have the capability to raise many millions of dollars in a week or less, and that's what many of them are wanting to do, right? So let's fast forward a little bit or give us some steps that you took next though, that got you to where you're at now. You have that ability, you have all these units that sounds like amazing success, but I personally know that that comes with a lot of work or late nights and early mornings and meetings after meetings after I've been there, but...

0:05:46.1 WS: Tell us some steps. How did you do that?

0:05:47.9 JG: Like when you mentioned, so I quit my corporate job without purchasing a single multi-family unit, and then in 12 months I was up to 950 plus, and so here are the steps. Step 1: find yourself a venture or in a safe case go into a coaching program, you cannot do this yourself. I'm sure all your listeners are extremely intelligent, but if you wanna accelerate quickly, you can't do it by yourself, find a mentor. Intern for them, for lack of a better word, work for free if you need to. Get the real life experience to help them manage projects underwrite, etcetera, Two, network with brokers quickly, it takes a long time to build relationships with the right folks in the field, so you need to start developing that relationship early. Then, just practice underwriting, underwriting, underwriting, Four, I would say is just literally take action. And so I've met a ton of

people who have done everything that I've done except for the last step, it's because they just are afraid to leave, and it's just like this invisible line, but once you cross over it, it's just the sky's the limit and then deals just keep coming afterwards. And so in 12 months, I found a whole bunch of faster deals, but I was interested in investing, and I found three deals as a GP structure that I ended up investing alongside with Steve, and so within the 12 month time frame, anybody can do it.

0:07:07.9 JG: You just have to take action. And so that's kind of the time frame for how you do it...

0:07:12.0 WS: So finding a mentor or networking with brokers, practicing underwriting, taking action, you talked about the team with the mentor piece... No doubt mentors are part of my team, numerous mentors, most of the time. I've met mentors for lots of different things, so important. Right, and really to broaden your mind to, Hey, let's go scale there fast, we wanna go there together, or whatever that saying is, but tell me though, who were couple of first people that on your team, you hired a mentor, but what were some other people or maybe some key things that you did or team members that helped you to accelerate like that.

0:07:42.9 JG: Yeah, so first, it's Steve, when he told me that he was retiring last year, I said, I think we need to start a company, it makes total sense. We've been working together for the last better part of the year, we complement each other in styles and values, like start a team, which is the two of us, and then we actually hired on a full-time underwriter and IT tech specialist. He's name is Randy. So he's a retired rocket scientist, which means he is super accurate. If he can launch a rocket, he can launch an apartment syndication with us, and so we're three member strong, Steve and I and Randy and we're quickly growing, so we were spanned very shortly with more...

0:08:24.3 JG: Steve, you also left corporate to go do this, give us a little bit of that transition, and then you also became a mentor, right?

0:08:32.0 SL: Absolutely. So one of the things while I was working corporate, like I mentioned, I spent a lot of my hours outside of the nine to five focused on family apartment investing, so every Monday I would underwrite deals from probably 8 o'clock to one in the morning, and then I get up again at 4 30 in the morning. I worked in Orange County and I had to commute into downtown LA,

and so during that time, I would be listening to podcasts and educating myself further on the entire apartment investing process, so it's a lot of sacrifice that you do after time at all my weekends all of my Mondays, we're meeting with other individuals just to learn more about apartment investing and then understanding how things work and building up a team, and like Jenny said, that I think the team approach is key, especially in syndication, in syndication, most in your family homes, you can do everything by yourself. Once you move into multi-family, they call it multi... For a reason, you have to have a strong team.

0:09:33.8 SL: Not only the team members that Jenny talked about, but all of our team members from the lending side, the brokerage side, the coaching side, and so I hired a coach, the coach really just sped up the entire process as well, so providing me videos to watch... I think there was 18 different videos. I watched each video twice just to make sure I understood. In each video, it was two hours long, so the commute helped with some of that in terms of the listening... Really, the firm foundation is key, and then anybody really has the capability of doing that if they put that extra effort in and have that drive.

0:10:09.0 WS: Okay, so then Jenny started mentoring under you, is that right, Steve? Okay, so you all started working together and it's like, Okay, we've got some complementary skill sets, I think, and we're gonna start this company, Vertical, tell me though, a little bit about your strategy then moving forward, how you all have moved so fast to even be able to raise for a half million in a week, a pretty big accomplishment for no longer than you've been doing it, right. Tell us a little bit about your all strategy to being able to do that.

0:10:35.2 SL: Well, one of the things is you have to know your partner extremely well, and so one of the great things while I was working corporate America, Jenny had retired from her corporate job, and so she was basically working side by side with me and working on the entire operations of all my current existing real estate syndications and joint ventures that I was on, and so that helped a lot in getting to know Jenny, knowing where her strengths played, and she showed that she's super strong on the asset manager side, super strong on the operation side, so then bringing it all together, we collectively, we brought our skills together and then started Vertical Tree Ventures, and the strategy that we had was really to focus on driving our network, both of us had a corporate America network that was there, we want, me personally, because of the roles

that I had, I did not tap into that network, no one actually knew that I was investing in real estate, was an apartment investor was apartment syndicator. I kept it pretty quiet based on the role I had, and then now I have individuals that... We used to be competitors, used to be vendors, they're all reaching out to us similar to Jenny, and they want to know what was that secret sauce that we had to leave corporate America number one, and then two...

0:11:48.0 SL: They wanted to duplicate that. So we see a lot of individuals wanting the exact same thing that Jenny described at the beginning here, and then that allowed us... On our most recent deal, we've basically had a 2X in terms of our raise, we need to raise about 45 million Whitney, and the soft commits, that were way over 10 million in less than a couple of days, which we're very grateful for...

0:12:10.0 SL: Yeah, that's a big accomplishment. There's not many that can do that. Took us a while to be able to do that, and I guess everybody's wondering though, how do we do that right, how do we build those kinds of relationships, how do we build that almost fear of missing out. It sounds like, how do investors want in that fast... We've had to take a lot of measures to ensure like all investors know at the same time, 'cause many websites, deals fill out before they get in or... It's a great problem to have, but it is a problem and a blessing, but how do you get to that point? How did you all do that? Why did they want in so fast, how were you able to raise that much money that fast?

0:12:41.9 JG: So our biggest networks are obviously our corporate networks, first mindset, that's a huge avenue for us, but separately, over the last year, Steve and I started a Meetup, we host the meet-up every month where we get lots of folks joining in, and we love to coach ourselves and talk and teach and share and we apply, so all of this huge network of other investors around the country join us every month to learn and educate themselves, and so we build that network there. We also have, from our previous syndications, we try to do the best that we do, create big fans of our core investors and it's through word of mouth that gets our name out there as well, and so we have a lot of fans from that standpoint, and then third, we've popped on a few of these podcasts just like yours, to get the word out, because again, we love to tell people and inspire people to do what we do, and live a lifestyle that we live, and so through these podcasts too, we are getting a lot of folks asking us, Can we be part of the deal as well? Those are kind of the four, what I say,

three or four different routes that we take right now to expand or reach.

0:13:48.6 SL: Starting to meet up, so... Good one. Has that always been virtual or was that ever in-person...

0:13:52.5 JG: We were in-person, Bosh, maybe three times before everything got shut down, and then we've been virtual since and we hope to be back in person for the summer, but I think that the bright side of virtual is that we actually were able to reach more people around the country, right before it was just folks locally, and so we've actually met so many great people around the world...

0:14:13.6 WS: What's been like one or two of the top challenges of scaling that fast...

0:14:17.5 JG: Okay, well probably this deal, I would probably mention we over-subscribed just in a few days, and I think the challenge there has been turning people away, we've built such great relationships with our... Many of our investors, it's been tough having to say, Hey, we're so sorry it filled up, it's a good problem to have, right, for many syndicators, but you also don't wanna disappoint your investors, and so that's been a challenge for us at least for the last few weeks.

0:14:41.1 WS: I've heard investors say like, well, such and such allows us to be in on the deal first the next time, or there's some way that they're remembered... Right, 'cause they signed up, I just wanted... Do you all do anything like that, I just want... I've had different people have asked me, Well, how do you handle that wait list, do they get the next shot, the next deal, or what do they get... If anything.

0:15:00.5 JG: We have a few principles, we give priority to previous investors, so if you've been invested with us in case you wanna continue that relationship, write the amount of investment that you've put in the deal, and then the rest really is first come first served because we are continually over-subscribing, that's probably the only fair way outside of that to allow folks to get it.

0:15:21.6 WS: Yeah, it's a blessing. It's a great problem to have, we call it first come, first served, first come first funded when the timelines actually started coming along. Okay, so speak to your

complimentary skill sets just a little bit, somebody else, like looking for that partner 'cause you all have scaled so fast, and so I have a similar story. My business partner and I, complementary skill sets, he excels in one thing, I excel something else. We put them together, it's like, Okay, man. We're driving a Lamborghini now. Tell us about your skill sets, why they're complimentary. Why that's important?

0:15:52.8 JG: Yeah, so I bring the brains and Steve brings the good life to the team.

It's so important, like you mentioned, to spend time dating your partner, or as long as you can, you're married to them for the whole length of the partnership, whether it's your company or the syndication. And so we've spent about a whole year of betting each other out, understanding what works, what didn't work, and so with our corporate backgrounds, we have very similar skills managing people, projects, setting strategies. I would say Steve is really good at vision, he likes, he has a ton of great ideas, and we try to put it down on paper, and it's great to set the strategy and the vision, and then I'll brainstorm ideas and I'll take it one step further. I enjoy and I'm really good at executing the plan. Simplifying the process, getting the business plan together, and then executing... And so that's one of the ways we complement each other on CPM, something to add?

0:16:48.4 SL: No, I think the one key thing too is both Jenny and I have a sales background too, so sales is crucial in terms of how you flex your style, and so even on things where maybe we have a conflict on, we're able to flex pretty easily on because of the relationships that we've learned in how the sales process actually works, and so not actually, not necessarily selling people, but just being able to interact with the corporate structure that we've been so used to, right? So just applying that. And one thing that's really good too, is coming from a W2 background or pretty conservative in our approach, a lot of entrepreneurs there are full force ahead and making decisions before really lining up, and Jenny does a great job of putting them down all on paper. I'll probably put them all down on the whiteboard, then she'll put them down, and then what's the implications of each of those, and then prioritizing them so that we can execute appropriately to get to where we are today, so...

0:17:46.0 WS: Yeah, visionary and implementer. Sounds like it's good. You need one of each. And it's good stuff. So tell me, I know Jenny, you mentioned earlier like practicing underwriting,

underwriting, underwriting, either of you can answer this, but I wonder, how do you all prepare for a downturn? Yeah.

0:18:00.4 JG: So we hear this all the time, sponsorship teams are super conservative here, we're just giving way, so we tell our investors, you actually show them the numbers, so things... I think there's probably the three biggest things were super conservative on would be rent growth versus what the market saying... Our reversion cap rate. And then our expenses. And so we'll look at the reports from Marcus, CoStar, sever, all those folks release these reports, and so for example, right now, the Phoenix area where we focus, right now there's projection, the 5% to 7% year in rent growth... we underwrite for 2.75, maybe 3% rent growth. We wanna make sure we don't over-project, we don't have a crystal ball, but that's one layer of conservatism. And then expenses... We vet this out very diligently with our property management, so they'll come back to us and say, Hey, Jenny, we can manage this property for x 1000 per unit per month, I say, Great, I'm gonna tack on a couple extra hundred here or there because just in case something goes wrong. We've offered that in, so those are in a few examples of how we anticipate potential downturn, and then we also, for year one, very importantly, between zero and 3% growth, or that's total income growth, a lot of folks out there will project much higher, but we say worst case, we are rehabbing, we're turning over residents, there's gonna be zero to 3%, maybe 3% income growth that year, and so our underwriting...

0:19:30.8 WS: Very important stuff has some great tips right there. Yeah, you hear the word conservative all the time, and I would say, Okay, what does that mean to you? And I appreciate you going into that, but what about any predictions over the next six to twelve months, just in the real estate market, anything you all are expecting or planning for...

0:19:46.1 JG: I would say specifically, again, on the Arizona market, that's where we focus, we talk to a lot of brokers and other teams out there, you hear it, it's so hot, it's on market place, and everybody always has me, what is a crash coming? And I would say based on what I know and what the historical numbers have looked like, I don't foresee any downturn potentially have been for six to 12 months, rates are low, there's such a lack of supply in this market that we cannot catch up in the next year, so I expect that the marketplace is still be very strong now in other markets around the country, the coastal cities where we're seeing people leave, that might be a

different story, but you see places like Arizona, Texas, Florida, there's just no limit right now.

0:20:27.7 WS: So you all are still buying for the foreseeable future...

0:20:31.0 JG: Correct, yes.

0:20:33.0 WS: Any daily habits that you all are disciplined about, that I've helped you achieve success?

0:20:37.0 SL: For myself, I get up by, in a corporate job, I get up, You see up at 4-30, I still get up at 5 o'clock in the morning. I am out running three miles by 630, and that's just... You might have heard of a book called Miracle Morning, so follow a lot of those savor principles in there, and I do do my praying and meditating every single day, and I think the fundamentals of that discipline every single day allows me the strength to get through the rest of the day. And so I always start my day off with some of the American morning principles that are out there by Elrod.

0:21:08.6 JG: Yeah, I think I am not as disciplined, I probably do for the six things on this list, but for sure, sleeping... actually now my husband and I, wake up at five in morning and then we work out. And I journal, drink water. Mainly, most of that is just healthcare, so outside of your work priorities, if you take care of yourself first, it just translate naturally. To your success in your business.

0:21:35.1 WS: Find mental fitness, right? Yeah, we have very similar up at five. Yeah, we're drinking water, but then we also follow it with some coffee or is all on... That's awesome. Tell me, you're all best source for meeting new investors right now.

0:21:50.0 JG: I think that the few that I mentioned earlier. So our meet-ups, we get new people every single month join and then we get to meet with them, and then I think these podcasts, we've got so many great people who hear our story and wanna learn more, so I see the bulk of those between those two avenues we've had a ton of people.

0:22:07.4 SL: I think what you're saying too, Whitney, is verticalstreetventures.com, and

Steven@verticalstreetventures.com, or Jenny@verticalstreetventures.com. And you can send an appointment with us any time, it's right there on our website as well. Awesome, and tell us, how do you all like to give back...

0:22:22.6 JG: Great question. So we again mentioned we love coaching and inspiring other folks, and so on one side from an investor standpoint, we're actually launching our own coaching program, as I mentioned earlier, we wouldn't have been able to accelerate this process without a coach, a mentor, so we're launching that shortly. And then two, as we expand our company where one of the things we wanna venture into is community outreach, and so one of our philosophies is leaving the properties and assets we purchase in a better place, and when we purchase them or trying to figure out a way to improve the properties within the community, whether it's, I'm looking it up, a backpack program for the kids or some sort of help with the tenants and residents that live there, we're framing that up right now to make sure we make it on that.

0:23:08.9 WS: Awesome. Well, pleasure to meet you both, incredible story, going from zero to 950 units in 12 months, it's not done my most and not done easily, so... Congratulations. Just making the hard decisions and the sacrifices, like Steve was talking about as well, the early mornings, late nights to make it happen, especially while you're still in a corporate position as well, and educating yourself and moving forward in that way, that it is a sacrifice that congratulations again, don't you give the listeners your website again or email anyway, anything else you need to know about getting in touch with you before we go. Yeah.

0:23:40.6 JG: So we are on vertical street ventures dot com, we're on Facebook, LinkedIn, go on there on the link to meet with Steve and I, we'd love to get in touch. We can help.

0:23:49.8 ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Lifebridge Capital. Lifebridge 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. Lifebridge Capital, making a difference one investor and one child at a time. Connect online at www.lifebridgecapital.com for free material and videos to further your success.

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