EPISODE 994

[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.

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Whitney Sewell: This is your daily real estate syndication show. We are introducing a new segment called The Real Estate Syndication Show Highlights, where we're bringing you a look back at episodes focused on a specific topic that we believe added a lot of value to you in your syndication journey.

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[INTERVIEW 1]

00:00:51.000
Whitney Sewell: Our guest is Joe Palmer. Thanks for being on the show, Joe.

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Joe Palmer: Thank you very much, Whitney. Thank you for having me.

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WS: You talk about how the market is changing around you. You know, if you're not careful, all of a sudden, things have changed a lot. Maybe you haven't been paying as much attention as maybe you thought you were.

But, you all have been paying attention and you started to notice that you have experts on your team that are, are people that are experts in other areas of real estate.

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JP: Absolutely. The funny thing is we all get so laser focused and that one thing that we know well, we know the best and that has treated us well over the years, we get laser focused on that.

Often, in this industry and all of us real estate investors, we don't lift our heads up and look a little bit longer term, right? I think I was very lucky, by the people I had put around, and the fact that we had these other talents and skills. That's really served us well and it's made us kind of unique as a capital group and as a syndicator. I'm kind of known now around the industry for that. For the fact that I have the ability to do so many things. So, I find a lot of people come to me and they're very involved and very deeply invested in other things but they come to me specifically for basically diversification.

So, what I often say, kind of my Consilium Capital Group tag line is that we syndicate diversification. We may not always be with a lot of our investors, they don't have their majority of their equity in their capital with me but they bring pieces to me where they're wanting to diversify and get, in many cases a little something that's maybe a little bit lower risk, lower return, a little bit steadier.

That's one of the major things that we provide that most others don't.

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WS: No, that's awesome, I think it's a great quality. And tell me about your team and just the team of experts that you're talking about?

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JP: Absolutely. Obviously as I say, I started off mainly for myself. I wanted better returns in the stock market, I thought real estate was the way to get, good solid, better returns at a reasonable risk level and it absolutely has been that.

But as time wore on, if we expanded to family and friends and then to a broader investment community, early on, you're mostly interested and people come to you, you get to know people and you're doing deals together.

But as we started kind of noticing that the market was changing on us we wanted to do other things, we started to all talk collectively together, often on team calls and often it's be on a particular deals call but we'd wrap up that deal and we chat for another 20 minutes. You just start to learn that you know, this person you've known for a year or two is a lawyer in a real estate firm, right?

You start to talk to them about what they do and what they have done in the past and what they're doing now. That conversation sparks another one and someone else chimes. These were often passive or limited partner type folks.

But as you start to chat about what can we do as a group next and how can we leverage that ability? People are very willing to step up and participate and contribute their expertise in their networks, in their contacts as well as their money. You know, it's kind of like, all you had to do is ask, right? Yeah, we've got lawyers and accountants and real estate professionals, every walk of life, agents and brokers and just you know, property managers and whatnot across the board and kind of never expected real estate and all we had to do is ask. And all we had to do is leverage it.

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WS: I mean, you can't be an expert in every part of this business, can you? You have to surround yourself with experts.

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JP: It's a team sport as is often said, right?

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WS: You had mentioned a few minutes ago, you went to what the market was giving you, things were changing and you're willing to change with it, I think, you know? And keep your head up like you were talking about. Can you elaborate on just how the market changes and then you know, how you all really change as well because of that?

0:04:28.2
JP: Absolutely. Yes, as I said, we started in multi-family, kind of the classic class C buy and rehab, fill it up and then you know, your mortgage comes due or your note comes due and you look at your exit opportunities. And obviously cash flowing is, it was always our goal but as cap rates

were plummeting, we got tremendous value out of these things and we sold off all of those and knowing that we're going to be very happy to sell in this low cap rate market but not to buy in it.

That was one of the first times when we realized where would we put that money if we sold? And what we found within the collective group was construction. That the market was really rewarding developers for constructing new things. We quickly leveraged those capabilities and started building. We built over a dozen condos in the Bishop Arts District of downtown Dallas. We've built over a hundred single family lots up in Sanger, Texas, one-acre estate homes in Argyle, Texas.

We jumped into construction and the timing was good for that but this was three or four years ago and we see that changing around us as we're doing it. Going forward, we're not so much interested in starting new construction projects. Probably still some raw land deals but less construction and our research is now taken us to mortgage notes. Since 2007 and then Dodd-Frank, which came up in the aftermath of that, as you know, the banks have just walked away from subprime lending altogether, pretty much Dodd-Frank kind of forces them that way.

But luckily, the private sector has stepped up and the private sector's providing these notes and they're providing a really good return to really qualify people with good jobs moving into really quality assets.

Right now, we're finding that to be a very attractive investment. We can get eight and 9%, sometimes even 10. We're in the first position lien, these are 80% LTV, they just cash flow so steady and for the return, they're relatively low risk.

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WS: Nice. As you went through that, you were talking about some different signs and things that were happening. Anything else like or maybe even signs that you see happening right now just from your experience things that you see happening now and how the market's changing?

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JP: Yeah, you know, my group is still focused largely on Texas. Now we're doing some notes outside of Texas. Yes, the assets and notes and most of the markets were doing them in a very solid and stable. We focus mostly on the economics of Texas. One of the most recent reports that came out that was talking very much about the job growth, specifically the Dallas area has had

but all of Texas for sure in the past 10 years and it outlined it with all kinds of statistics.

But went on to forecast that they see the same growth for the next 10 years. You know, a lot of people thought the job growth would be slowing sooner than that. This was a group, a very respected group of economists putting this out.

So, that doesn't mean that all of these growth factors within the real estate industry can continue indefinitely, just like the roads are struggling to support this influx. But it does mean that there will be people continuing to move to Texas. Let's take cap rates. Can they go lower? Possibly but not much, right?

These are historically low cap rates, of course we have a lot of money flooding in from California, especially 1031 money, New York as well, the money's coming here because of that growth. But even those investors, there is a bottom limit to what they'll accept for their money. Even with 1031.

So, we certainly don't see cap rates going much lower but with this jobs report for the next 10 years, we do see them as being fairly stable.

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WS: Do you plan, let's say cap rates go back up or you know, market takes a big change, you plant to go back to multifamily or development at some time or you know, is this kind of your plan to wait until there's a better time to get in back into multifamily?

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JP: That is a very insightful question. And that's so much so that that was the conversation I just had today with the team. The team is very interested and I think this report spurred the interest on. That you know, one of the reasons we kind of got out of apartments was because of fear of cap rates going up, right? Now, this thing says that they're probably not going down but it does say they're probably pretty safe and stable.

A lot of my group having come from multifamily apartment investing is now very much getting reinterested in it. If they think we can get in and out a couple of times, and still relatively safely without the fear of rising cap rates. So, absolutely, we do think we'll be heading back that direction.

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WS: Nice, just from your level of experience and listener that's getting started in this industry that's wanting to be an operator, maybe they're having some of the same thoughts that talked about, "I'm not sure if this is the right time to get into multifamily, maybe I should think about notes or maybe it is?" I'm just wondering you know, could you give them some guidance?

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JP: Absolutely. I think the advice I would give and it's something I wish I had picked up on sooner is that thing we talked about earlier which is lift your head up once in a while, look around the industry, look around the market, read the economics, the forecasts, everything that's going on. But absolutely, learn one aspect, be successful with it, parley that, reinvest, but also, lift your head up once in a while and look around and sometimes there's some really cool stuff going around you, some really profitable stuff going on around you that if you don't lift your nose off the grindstone once in a while, you won't even notice it.

That's where I think we've become like I said, around the industry, we've kind of caught out for consulting gigs, we've been sold out for mentoring.

I think the reason is that it's that message. When you lift your nose off the grindstone and look around the industry, what do you see? And then of course, my team's case, they come to us and say, "Well, can you help us get involved with that, can you help us put an investment together to go after this, right?"

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WS: What's some of the – or maybe a really good resource to help us to monitor the market or maybe something you read every day, something that we could also educate ourselves on the market with?

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JP: Yeah, funny thing is I'm a fan of The Motley Fool. strangely enough. They have a pretty broad base of resources out at their website and they do talk a lot of real estate at times in investment so I visit that one a lot. Again, it's – I think it's partly it's entertaining, it's kind of fun to do but also, you do pick up and learn some things on there.

Of course, if you just like I said, right now, the mortgage notes attract us. If you just Google investing and mortgage notes, there's some wonderful resources out there. And of course, our website is investccg.com.

I'm still mostly email based. So, when you go to their website, you'll find kind of small snippets of what we're involved with, what we're doing and what we're raising capital for now which happens to be the mortgage notes. You can click on that, you'll get some photos and some info and then it will lead to if you are interested in more click here, send an email and it's saying I am interested in more. And then of course, we can inundate your inbox with all kinds of resources and information.

[INTERVIEW 2]

00:11:24.000
Whitney Sewell: Our guest is Alpesh Parmar. Thanks for being on the show, Alpesh.

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Alpesh Parmar: Absolutely, Whitney. Thank you for having me.

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WS: I know something that is important to you is being diversified. I'd love for us to go into that a little bit because I think – there's different ways to think about that, whether it's the asset classes or markets or active, passive. Even in your case, you're investing in different countries as well.

I'd love to dive into that a little bit. But get us started, somebody that's just thinking, "Well, I'm just going to start investing in real estate," this might be way out of their thought process just yet, you know? Get us started in why maybe we would want to think about diversifying like you have and then let's dive into some ways that you have.

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AP: Sure, real estate diversification works same as stock market. And why I like that analogy because you know, we are being told by fund managers or 401(k) when we have 401(k), right, that you got to diversify. But just looking at the stock market, we are still tied to Wall Street, right? At least in real estate world, there are so many ways just by going to asset types. Let me just

name them and I know I have been listening to this show as well so I know most of your listeners are very savvy but you can start with single-family residences to multifamily which you and I do a lot, self-storage facilities, mobile home parts, office buildings, triple net investments, shopping centers, parking garages.

I've met all kind of investors who have been doing all these and I was even surprised as well as baffled that you can invest in a laundromat, you can buy an automated car wash, right? Or, if you just want to do something passively become a private money lender, right? Or something actively wholesaling, right? There are so many more ways for you to get started in real estate. But even on top of that diversification real estate works by market.

I started studying real estate in 2015 but I went back to 2009 as well as 2001. Because I migrated to US and I call this country as my own now. I became citizen five years ago. But I immigrated here in 2001. And I saw the cycle that 2000, 2001 as well as 2008 and nine and I realized you got to be diversified, right?

Real estate markets, went I followed, I saw that even real estate markets don't go together, right? They have their own cycles. It's not like stock market were something happened in Iran or coronavirus in China and we started crashing, right? Because I lived in San Francisco Bay Area, Our market was the first one to go down residential as well as multifamily, everything else in 2008 and nine. But then I looked at taxes, the market barely moved and now I look at New Jersey or east coast market, they have not even gone back up to the 2006 side. But whereas California are especially big, it's double and some areas are triple the 2006 higher picks, right?

That showed me that real estate markets have their own cycle and some markets may not even deteriorate, some people like to play the appreciation game and some people like you and I play both cash flow and appreciation hybrid game, right? I prefer to invest in different asset types as well as different markets, right?

But, on the flip side, as one person, or even as a team, how many markets can you operate, right? It's very hard because I was following about 20 markets that I flew to Dallas market Atlanta, Birmingham market, build my own team and bought from single family all the way to duplexes, fourplexes and I own a couple of nine units on my own now in those markets. And then I realized, I cannot do that process, I cannot go through the entire thing again and again in different markets.

I'll be stretching myself in managing the property as well as keeping track of all the markets.

Then I started looking into syndication and I realized there are other big players out there who can do that job far better than me, right? I enjoyed investing in real estate so I kept investing in myself. But I liked other markets. Like let's say Las Vegas so I invested with the syndicator, right? Because I did not want to get in that market myself and buying a 200-unit apartment building was not my cup of tea.

Why not go with someone who knows that market as that asset type? Also, then I invested in the self-storage syndication with another big player and I'm happy with that investment because they have self-storage in Raleigh market, Charlotte market. Those are some of the markets I love but I cannot go in that market by myself.

You know, again, as I said, I cannot build team in all of those markets. That's how I look at diversification in real estate, right? Big different markets which you love as well as asset types but some of those assets will go up fast but will also come down fast so you want to then have some resistant assets like self-storage and mobile home parks, right?

Which may not go up and down a lot but will give you a pretty nifty cash flow, right? My recently deal I'm working on is senior housing facility. People will think that I go after shiny objects, yes, I do but I also play calculated risk, right? A senior housing, I have been looking into it since 2017. I could not find any good opportunity in my local market. And finally, I met a couple of big players and instead of me trying to buy a 16 or 24 bed, we are buying 132 bed, 86-unit facility for 15 million, right?

I couldn't have been able to do that on my own and I'm raising capital for that senior housing.

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WS: I like how you think about diversifying even from active and passive. That's a way to diversify. Syndication business is such a team sport. It would be impossible to build a team in every city that you potentially want to invest in but as you can invest with teams that are already there and that are already established and even said, they're going to know the market better than you anyway. That makes a lot of sense.

And a lot of operators that I know that say they just want to do single family and that's fine but they don't even realize that there's this opportunity they can diversify so much more and invest in other markets and real estate with other operators so I love thinking about it like that. But is there a certain percentage of different asset classes that you like to focus on or like, "Okay, I've got enough in multifamily now. I'm going to put more in self-storage like you talked about or I'm going to look more in India," or something like that?

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AP: Right, I also was following [inaudible], Ray Dalio and lot of those guys, right? They always talk about coming recession and what not in US, right? Or untying your risk to US dollars and of course, most of my earnings, most of my savings or investments are in US.

So, when I started investing about 2015, 2016 or 17, I started looking outside as well so I acquired a small single-family in India because I'm basically from India, Of course for last 20 years, I lived here and I call this country as my home now. I invested there.

But I also was looking at other countries and realized that there are so many other opportunities like agriculture farm, which did not mention, right? I ended up buying a small coffee farm parcel in Panama. I went there and I liked the operations and I ended up acquiring that.

So, then I ended up investing in a result in Belize as well, that was part of syndication. I also invested in a chocolate farm in Belize and bought an orange tree farm in Paraguay, a parcel as well. And I love agriculture, I did not mention that I'm a vegan so I consume a lot of fruits and vegetables and I know, us Americans, and Europeans, we cannot live without coffee and chocolate as well, right? I think that would be a good investment long-term, right?

That's my diversification untying also some of my asset from US dollars, right? Those are again passive investments, more like syndications. But it's going to give some legacy investment for my kids.

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WS: Tell me, besides diversification which you definitely would be, what are some other benefits of investing internationally like that?

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AP: Definitely, diversification is first, second is untying your risks from US dollar as well because you never know the US dollar has been going up, for almost last 20 years about last 15 years, it's been going crazy. And are to a lot of time, Indian Rupees or some of the Asian currencies and I remember in 2008 or so, the Indian rupee to US dollar was about 37 Indian rupees. One US dollar was 37 Indian Rupees.

Today, US dollar is 77 Indian Rupee, right? It's been going up but there will come a point in a time where the US dollar is going to go down and especially what we are seeing with coronavirus as we can tell it may act as a catalyst, right?

So, it is just untying yourself as well from US dollar and having some other asset types as well because some of those assets may be expensive and may not give you enough cash flow if they are in the US right? So, if you look at agriculture then you may not get the same kind of cash flow if it is outside US.

[END OF INTERVIEW]

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Whitney Sewell: We hope that you enjoyed the Highlights show today. You can always listen to the full episodes that were featured today by clicking the links in the show notes page. And in the description box, let us know why what you've thought of this episode or you can go to lifebreidgecapital.com/podcast and click the feedback button. Let us know how we can add value to you. Thank you and talk to you tomorrow.

[OUTRO]

0:21:11.0 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 for free material and videos to further your success.

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