

**EPISODE 999****[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, I'm your host Whitney Sewell. Today, our guests are August Biniaz and Ava Benesocky, welcome to the show, guys.

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**August Biniaz:** Thanks for having us. An honor to be here.

**Ava Benesocky:** Thanks for having us, Whitney. Excited to be here. An honor to be here.

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**WS:** Great, well, I'm honored to have you on the show. You have some skill sets that I feel like anybody, operators or even passive investor, especially if they're Canadian, but any operators that are listening right now can learn from you and learn how to do some things to be compliant and really help be able to help investors that are looking to partner with them that may be in Canada. And so, we've had this question often on the show or even with other investors over the years, and so this is great and timely. But, August and Ava have been that Canadian real estate professionals for the past 15 years, they fell in love with the apartment syndication concept and developed a compliant and tax-efficient process for to invest in you as multifamily syndication. They created CPI capital dot CA by the way, and they are hosts of the CPI Academy YouTube show.

Welcome to the show, guys. First, why is it so difficult for Canadians to invest in US real estate?

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**AB:** I think difficulty, if I may take this Ava, the difficulty for Canadians wanting to invest in the

US real estate, first of all, Canadians are conservative people and to invest an international investment, and having to invest in the US, especially in a multifamily side where there's lots of moving components, there is an operator as a property manager of financing, there's a lot of barriers to cross for Canadians. Also, tax issues that exist, the structure that exists, so many different folds and reasons that exist for Canadians looking to invest in the US.

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**WS:** Well, I want us to get into some of the tax stuff, and I know you all have to work very hard to just make sure you're compliant and all these things for your investors. Let's back up a little bit, give us a little bit of your background and moving into where you're at now in this syndication business, but even coming from Canada.

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**AB:** Definitely, yeah, my background is in construction and development here locally and West Coast of Canada, Vancouver, that started 16 years ago as a licensed agent and moved on to... I wasn't really good at being a license agent, so what I was good at finding deals, so I moved on to start doing small fix and flips, started my own general contracting company, started building single family homes and more on the luxury side, and I was looking to scale my company, and I started doing multifamily where I needed to raise capital. I even know what a raising capital was at that time, but I was raising from family friends, business associates. But I realized that the asset class, I was focusing on building multifamily here in Vancouver might not be the right asset because of the term of the project, it was very long, there was a bureaucracy at many different lens of government, and also it wasn't really a business-friendly place to do business, and there was no kind of cash flow or returns, coming back to investors, my partners myself, for the whole term of the project, sometimes it would take as long as five years to do a multifamily project, so I was always looking for a different type of asset class, and that's when I met Ava.

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**Ava B:** Little bit about me, I've been a real estate and for over a decade. And as I was selling real estate here in Vancouver, the average house price is \$1.2 million. I was dealing with hundreds of investors who were coming to me and they're saying, Ava, everybody's taught to invest in real estate, so Eva, find my cash flow, this is what I want, and this is what I need.

And essentially, as I was kind of dealing with investors on the residential side, I noticed that there's

just a massive pain point for real estate investors here in Canada. And life works in mysterious ways. And as I was dealing with all that, I met August. And we kinda came together and that's where CPI formed, and that's where we kind of started our company where we...

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**AB:** Yeah, CPI started because we both saw a need, Ava and on the investor side where people were having a difficult time to purchase their primary resident, let alone to buy another kind of investment property, all the information... Most of the information they're receiving is from the US side where they talk about cash flow, the 1% rule, and that's not existent here in Canada.

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**Ava B:** Yeah, maybe let's take a step back. So, in Canada here, cap rates are super compressed as an investor when you purchased just one property, you're a negative cash flow, so this concept of cash flow, when August and I started really diving in to form a CPI capital and deploying capital from Canada into the US, you guys talk about cash flow in these incredible returns will keep in mind, Canadians, our conservative Canadians, they're super happy with 5% to 6% annual return, gross. So imagine that we got super excited that August literally left his full-time career as a developer, I left my full-time career as a real estate agent, and we form CPI capital.

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**AB:** Again, goes back to the need that existed, and we realized that investors here in Vancouver had Vancouver and Toronto, the biggest cities in Canada. And we realized that, Hey, on the other side, maybe the first time I heard about this idea of apartments syndication, and it was watching a YouTube showed Dan Hanford passive investing dot com. He was talking about buying already built apartment communities, doing some small renovation, selling in three or five years, giving great returns back to his investors. But what shocked me was that they did a conventional financing on a 70-30 LTV, they were able to pay... they were able to pay their mortgage payment, pay taxes and fees, pay a third party property manager and still be left over a significant surplus to pay their investors 6 to 10%, even, sometimes more.

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**Ava B:** Nothing that we've ever heard of before here in Canada.

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**WS:** It's just incredible that you all have found this need, you got excited about this, and then you found an opportunity you can provide to so many other people, so many other investors. I'm sure there's listeners right now that aren't as familiar with the issues there. They're probably thinking like, Why can't Canadians invest in the US? What's the big hold up there, what's the problem? Can you all just, I guess, highlight what that problem is and then how you all have overcome that or provided this avenue?

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**AB:** The first problem that we realize is when speaking with different groups to active operators in the US who are syndicating deals, they were not accepting Canadian investors. And the ones that were accepting Canadian investors were asking the Canadian investor to create a LLC and invest through the LLC and their investment and that in some ways made it compliant. And what we realize is when a Canadian investor invests across the border in the US and use the LLC to invest into a syndicated investment or into a fund, they are double tax and they're paying as high as 65% on any kind of capital gains, any kind of profits they make. So, it renders the investment pretty much useless, so that was one hurdle that we have realized that existed.

The second issue is again, to go in back to this idea of conservative Canadians is when they're investing with a US operator, they're you investing with someone that they may not know, and if there is something scrupulous that happens on the US side, or if there is something that takes place now, they're involved in international litigation, they've invested with a firm that there's somebody that can... on this side of the border. So that was what we realized, and also on the educational side, a lot of the content that was coming out and being produced was from the US podcast videos such as yours that we love. But we realize, Hey, that's another part that's missing here so those were the hurdles that existed for Canadians just to invest directly with an operator that we realize that we try to solve.

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**Ava B:** And we need the terminology too, that's used in Canada and the US is different as well, so a Canadian listener listening to maybe a podcast from the United States, it can be very confusing. So, we wanted to form this platform more Canadians, we can hold their hands through the whole process, have this... educate them on the relief from double taxation and kinda create this excitement on the side of the border.

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**WS:** So there's a thought that they could create an LLC in the states, and that sounds great, the entity makes money, but the money has to stay there, it gets taxed in the US, but they can never bring that money into Canada without being taxed again, is that right?

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**AB:** Exactly.

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**WS:** How do you all overcome that tax burden, how do you all legally bypass that being double-taxed?

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**AB:** It was many calls and conversations with lawyers all across Canada, talking to security compliance, corporate lawyers across Canada, and every time you talk to a lawyer to have a new concept, a new idea. Not that they were saying anything wrong, it was just somebody, they were seeing it from a different angle, so it took a lot of time for us to create a structure allowing for investors to be able to invest into a Canadian fund, and then that can even fund to invest into a US fund. So, now there needs to be a certain structures created from right up front when an asset is being put on their contract, where they need to be in communication with us and our attorneys and our accountants, which they're instructing the US operator or if we're to operator and instructing us how to structure a deal, so it's done through a web of corporations and limited partnerships.

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**Ava B:** And there's actually a tax treaty that exists between Canada and the US, so there is this foreign tax credit, if you set up the corporation properly, the web corporations and limited partnerships, and that's where investors are relieved from double taxation.

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**WS:** Nice, and at least, I know you all mentioned also investing with someone internationally and somebody you don't know if there was an issue. Oh my goodness, the complexity of trying to get that figured out or get any capital back, it would probably be... You'd have to throw more money at it then you probably invested... Right. To get the capital back, and so I assume you... It's great

that investors can know you all and know that you all have done some vetting or you've got to know this operator before you go and invest or partner with someone in the States. Is that accurate?

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**AB:** Exactly. Well said.

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**WS:** So, anything as far as Canadian investors need to know or that you could share, and now we have to imagine more of the listeners right now that are operators, let's say that... What about operators that are listening right now, anything else that they need to know as far as... as they have Canadians that may be contacting them to say, Hey, I'd love to invest in your deal, what are some steps that they should know to direct that Canadian investor to do?

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**AB:** Absolutely, and what we realize is for the groups who are accepting Canadian investors that were just requiring the Canadian investor to create a US LLC, this is not tax efficient, so of course on the educational side is important to forward the investor to their Canadian CPA to understand what's the best way to go about it. And there's great cross-border firms that specialize in Canadians looking to invest in the US, but also getting in touch with groups like us, we are the facilitators for Canadians to be able to invest in the US.

So, if you are a US operator and you notice that your reach or your marketing reach is going across the border and you're having a lot of Canadians looking to invest, partner in a group like us, allows that process to be streamlined so that Canadian investors will be investing in our fund. Each investment that we are taken, the fund is project-specific, so be creative fund, we create legal entity and the corporate structure for that investment or the investors they can always... And then we're also nurturing those investors, so that's kind of out the work of the US operator, we are now to our investor portal through our compliance department, we're taking care of the investors for the terminate project, so that'll be my advice, I guess.

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**WS:** Yeah, no doubt, definitely numerous things are figure out there as you're taking international investors from any country, but different countries are very different, right, just that I could talk

about having tax treaties between certain countries, and you're just not typically gonna know that as a common operator. But you know, as far as I was just thinking through like real estate in Canada and partnering on projects, and the kind of fun that you all have as this would just be considered a close fund or open fund or you said it's deal by deal, is that right?

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**Ava B:** Deal-specific.

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**AB:** Deal-specific fund, and the term fund is very broad, so we're basically discussing it, in most cases, a Canadian limited partnership is what the investors will be investing into a limited partner.

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**WS:** Okay, so tell me maybe some of the common questions that Canadian investors may have for you all, just the risks that they see or the concerns that they have...

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**Ava B:** Well, I wanna tell a quick funny story about our fellow Canadians over here, you know this concept of August and I, we've been started our educational platform, and we had people reaching out to us and they're starting to hear about these forecast in returns, and it was really funny, one of my advisors, a couple of our advisors were like, Hey, maybe I should take it down a notch with the returns that you're talking about because Canadians actually are saying, this is too good to be true. It doesn't sound real.

So, we're really noticing that's gonna be a thing that we've been talking to Canadians about and saying, Hey listen, this is it, and this is where we partner with the active operators so that we can show Canadians, Hey, look, this has been done over and over and over again, and these are the type of returns. So, that's one thing that they kind of reach out to start asking for... What's another thing, August? Yeah.

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**AB:** But just to add to that point is, you gotta see your avatar, your investor base it... They're so used to the market here in Canada, and we were just doing this calculation the other day, is the average condo price in city of Vancouver is \$800,000, and if you go by the 1% rule, which in some

places in the US, you could still easily get that, that's \$8,000 a month rent, where an average price for that condo here in Vancouver is \$2,500, so they're an extreme negative cash flow. So when you're talking about investing in a real estate project as limited partners with limited liability, investing a much lower amount that they're entering into a... even a condo even to be totally passive and have cash flow from day one, that's when I would come, Hey, this sounds too good to be true. And that's one of the hurdles we had to face to possibly bring down some of our projected returns and rather than monthly distributions, turn our distributions to more quarterly.

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**WS:** Why would Canadian investors buy real estate in Canada if it's negative like that... What's their incentive?

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**AB:** Incentive is appreciation, and incentive is there's nothing else available. And the idea is for a capital preservation, you need to invest...

And I've had this conversation on the larger multifamily side, because since we're in that space with many brokers here in Canada is like, How are you selling these projects at 2% cap rate? I understand somebody who's multi-generational family or somebody who's on this project for a long time, and it doesn't matter what the cap rates are, because they've all it for a long time there, they don't have a mortgage payment. But someone who is entering that asset class or is looking to scale their business, they're gonna... Depending on how much down payment they're gonna be putting, they're gonna be... It doesn't economically make sense.

And that's why you have groups like us, literally looking down to the US to invest, we could have easily been doing this business model or other business models here in Canada, but unfortunately it doesn't allow for this business following.

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**Ava B:** And at the end of the day, as a real estate investor here in Canada, it's just not an easy... It's not an easy business to get into. And then you're hitting being an active investor, as an active investor, then you're really tied up to how many... How you can scale that side of things too, because a busy professional, you can only do so much.



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**AB:** And to compound it, we had a conversation, but are a good friend Dale, who has been a property manager for 30 years. And I'm like, Hey, on the US side, the property managers also are involved in renovations on most projects, so it's like a one-stop shop, he's like, Yeah, that never happens here in Canada, that we're way behind the US, we would never get involved in any kind of renovations so yeah, it's a different game, it's so exciting that converted us.

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**Ava B:** Now we're trying to convert everybody else...

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**WS:** Yeah, no, it's awesome, this thing you all created to allow Canadians to be able to invest and make and have cash flow and not be negative. So what's the biggest risk there, an investors talking to you, they're asking you about, okay, are looking to invest with you all and invest some of these deals in the US, you all are talking about what's their biggest risk?

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**Ava B:** Incredible question. So, as we form a limited partnership or the general partners, and our investors are the limited partners, so they have limited liability, so the risk is the investment that they put in, so that's another thing that really attracts busy professionals and our investors is that there's limited liability, not like a joint venture agreement where they're gonna be kind of held on.

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**AB:** They're gonna have a responsibility, they're gonna have liability. Also, when you talk about the investment world, especially in this day and age, we're talking about Bitcoin or cryptocurrencies or venture capital, there's so many different investments where you're investing in an idea, whereas in real estate, you're investing in a tangible investment, something you can touch, you can feel, the investors can... We're gonna be offering on our future investments a chance for investors that come and do an actual visit on the property and get to vacation in warmer weather is in the US.

In my experience in the last 15 years, I haven't seen more of a safe investment than us multi-family, I look at the last two cycles, the 2008 and 2020, their multifamily was, especially on the larger side, was the most resilient asset class. So we feel pretty safe.

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**WS:** You're preaching to require here. I completely agree. No doubt about it. Tell me, as you all are partnering with these operators in the States, and we talked about our biggest risks and things like that, that investors need to know, how do you ensure that the operators prepare for a downturn?

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**AB:** Great question. So now, this idea of partnering with the US operators, at times we speak to our advisors, consultants, our investors, our associates, and it seems like an easy process where we pick up a phone and call someone and just partner with them. They go through a vigorous process with us, and it's not only on underwriting the group and having a look at their track record and the deals they've done, is also their relationship with the investors -- the type of returns, the type of fees they charge. There are so many different components of it. Also, the fact that it's not transparent, they are with us in conversations, so it's a multi-layer, multi-level kind of process that we go through all done very professionally, and we've ended up being very close friends with operators. But the US, totally different world is very business friendly, we've noticed. We felt like they've accepted us with open arms, so it's been great.

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**Ava B:** We're coming in as the 51st state.

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**AB:** We'll say that to patriotic Canadian, they might not like it.

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**WS:** Yeah, what about any predictions that you all have, just for the real estate market in general over the next six to 12 months?

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**AB:** I mean, again, it's on this multifamily side, I just feel, again, through a cycle as multifamily has been through and what's happening with the Fed on both sides, US and Canada and the world, all the money being printed, the best hedge inflation is real estate, especially multifamily where it's cash flowing, especially workflow force, or is that 800 to 1200 approximately rents.

Everybody's gonna neither roof over their head, and if those people and they lose their home, they're gonna be on the streets burning down the country. So if that's a demographic that needs to have... They're working hard. They have the blue collar jobs and they need to have it. Everybody is planned, place to live, so we feel very bullish about the multi-family moving on, especially even post-covid and through covid.

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**WS:** Do you have any daily habits that you are disciplined about that have helped you achieve success?

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**Ava B:** Oh yes, very structured of a systems person, achieving success as a truly about systems that you have in place and perfecting the systems, and if they're not working well, then you keep perfecting them, so we have a task management.

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**S1:** Yeah, just like Ava said, our task management software, Asana that we use has been life-changing for me in my real estate development business, where I hired an intern or junior project manager who came on, this was around six years ago, and I was giving him his task through email, and he took one look at me as like, you don't have a project management software. He looked at me and I felt so embarrassed. I'm like, No, we do this. So that same day, I went out there and tried to online and try to find the task management software, and I found Asana and it end up being great, so we...

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**Ava B:** It's the best way to stay organized and nothing gets missed, 'cause you have your Monday, you check off the tasks that have been done in the ones that haven't you with the Tuesday and you really just don't miss a thing, so organization and systems are key to success.

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**WS:** No, Asana is great. We use Asana also... Yeah, it's really good. What about your best source for meeting new investors?

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**AB:** Best source for meeting new investors, LinkedIn. LinkedIn is huge. LinkedIn, it... Just to give you a data on LinkedIn, only 1% of LinkedIn users make any kind of posts, or I'm not sure if that's regular posts or any post, but it's been a great platform for us to connect. Also, it's much more professional than Instagram.

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**Ava B:** Another way that we cultivate relationships with the investors is through... By intermediaries, by partners, I go speak on platforms, much easier than just getting on one-on-one calls every day, but I go speak on platforms of people who have an investor base, and I kinda tell them what we're up to and before you know what they're signing up wanting to learn more, so that's a really good way for...

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**AB:** Yeah, meetup groups across Canada, but the Canadians investing in the US, we have our YouTube show, anyone speaks on many platforms, where LinkedIn is kind of the social media platform that we use, we have our... The leads come in, we nurture those leads to our CRM, we do the conventional kind of... We fall in the blueprint from our good friends and down in the US...

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**Ava B:** It's all about relationships. This business, so you gotta treat those investors like gold.

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**AB:** If you had to divide it, so I would say probably around 75% of our time goes on to cultivating and nurturing those relationships with investors, and 25% of the time is on cultivating a relationship with operators and also underwriting deals that are coming in.

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**WS:** What's the number one thing that's contributed to your success? I think it will always like to say it, I think it's just one word is resilience, not stopping at a two and just giving it 100% where we don't feel like that this is just a... It's something you're gonna be doing for a while, we see this as something we're gonna be doing for the rest of our career. And we feel very strongly because we also feel like this business, we're in is win, win, win, we call it. It's winning for our investors, is winning for the community, that brand, because we go in and we add value to these department buildings, it's also a win for the employees and the people who work with us because they get

jobs and they get to have an earn a living source, so it's a win, win, win.

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

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**S1:** Give back, I guess I could say this both me and Ava, I think it's through... I wouldn't say we're Goliath when it comes to the world of real estate investing, there's obviously larger groups.

We get contacted by a lot of younger newer investors or people looking to get into this space. And we've been very kind of helpful education, I'll bring them on, there are waging should under robes, and I would say it right now openly, if you're here in Canada and you're looking to get into the space and more than happy to book a call with you, and we're very easy to reach our contact information, cellphone numbers right out there, so more than happy to add value.

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**WS:** That's awesome. It's incredible to think about or know somebody like yourself, when Canadian investors contact us or somebody else, you know it, we don't always know or understand how to do that the most tax-efficient way, or just to make sure we're compliant as well. It's great to know somebody like yourself that's been there and done that and now created a way to help Canadian investors to a great positive cash flow, which is pretty incredible, you expectation is for it to be negative and just way for appreciation.

That's pretty life-changing in itself, so thank you all so much for just coming on and sharing that and how you've gotten to where you're at, and tell the listeners that I didn't get in touch with you to learn more about you

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**Ava B:** Right on. So yeah, our website is just [www.cpicapital.ca](http://www.cpicapital.ca), you can reach me anytime at [ava@cpicapital.ca](mailto:ava@cpicapital.ca).

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**AB:** Absolutely, and go ahead. Yeah, just LinkedIn, LinkedIn – August Biniiaz, CPI Capital. Our YouTube show, Canadian passive investing. Yeah, reach out to us any questions, more than

happy to add value. All the US Operators, bring us those good deals, looking forward to bringing that billions of Canadian dollars your way. So, get in touch with us.

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**Ava B:** A million accredited investors here in Canada.

[OUTRO]

**0:24:14.0 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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