

EPISODE 1027**[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]

0:00:01.6 WS: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today our guest is Steven Pasadena. Steven is the host of the Investor Mindset Podcast, and an active investor creates commercial real estate investments for clients at Von Finch capital. He has raised tens of millions of dollars, which she has successfully cycled through multiple assets, so he began in single family, he grew a big business very quickly in flipping homes, Adele, 75 homes a first year, then like within two years later, he's done like 200 and so it's interesting to see Steven's growth now a commercial real estate, and how he's applied just that drive and those skill sets now to this industry, we go into different aspects of passive investing, things to pass on, investor needs to know, just asking even a few questions about his taught about different questions his investors should ask and what not, when they're evaluating sponsors as well, so I know you're gonna learn a lot from the show and have a bus day.

0:01:24.2 WS: Stephen, welcome to the show. I wanna hear more about your background, and obviously, you've come from what management consultant tech on trade house flipper, and now you've scaled businesses, you're in commercial real estate, you have an amazing podcast as well, give us a little more of that journey... Yeah, a big house filing business. I remember that conversation, you have been to numerous conferences together and just a very impressive story, and I'd love to hear how you've applied that a little bit to this other business, but I know we're going to have a conversation today around how we can... How passive investors and then thinking through investing in syndication businesses. But get us started a little bit with your

background.

0:01:59.4 SP: Yeah, absolutely. Well, I went the traditional path like so many other people did in University, graduated, consultant that Premier role out of business school. And I was really good at what I was doing, but I wasn't passionate about it. I felt like there was something more. I felt like there was this feeling that I had had previously and I was searching for it, so I laugh, I went down the tech route, entrepreneurship, working in startups, managing development and marketing and all types of things. Are learning all of these different roles. And each time that I went to a new company ended up doubling my salary, and yet I still realized that there was something that was missing, all those reasons why I was driven down this path weren't sold, and that's really when I got turned on to personal development and the Power of mindset, that's actually why I host the investor mindset podcast. I know you've been a guest a few times, and we'll have you back on soon, but the reason for this obsession with understanding how we can think better, how we can be better and how we can do better, is because I realize that no matter how much money you have it all still is gonna come back to you, and all that success is gonna come back to you, and making that decision of where you're gonna go and what's gonna happen, and that's when I fell into real estate, it really had gotten super clear that the path for me was to stop saying no to these things that I was afraid of, that I had these fears on, and really decide that this is the direction I wanna go, and so that's when I jumped in and you know the story I went from never owning a use of real estate to flipping 75 houses my first year, 200 within two and a half, and then after having that experience, realized the power of, we've scaled this business, what is actually more scalable, and that's when multi-family really became in the picture and really just commercial real estate in general, and that's essentially how we are where we are right now today, Von-fish capital, we go out and purchase institutional multi-family, we really bring together investors with these phenomenal deals, and it's been really rewarding.

0:03:56.2 SP: And one of the biggest reasons that I ended up leaving that house flipping business behind was not because it wasn't great money 'cause it was... And not because we weren't really good at it, we were... If you have the ability to find that many deals every single month, something must be going right, but it all came down to working with the right people, 'cause I'm just a real big believer in partnership, and I know... So are you... When you can partner with the right folks and you can bring value to both sides of the relationship... No good things happen.

0:04:22.1 WS: No doubt about it, no doubt about it. I don't know many people that flip 75 homes or first year, I think that says a lot about just your mindset right there, being able to make something like that happen, and then 200... Not long after, but it's pretty incredible to see that then you transition to commercial real estate and see what you've done there as well, coming from management consultant to tech entree, a house flipper, a... I would imagine your thoughts about investing or a knowledge base, of course, but maybe your thoughts about even planning for retirement, things like that have probably changed somewhat. What would you say to that are from management consultant to those different stages, how have you thought about retirement planning for retirement until where you are now?

0:04:59.8 SP: Well, I used to think, for sure, I had this big dream or a big vision of what life could be like, but then when I was in that kind of corporate culture, so I totally understand where most people are at, that this thought is you put all of your money in your 401k, you let the financial advisors do all the work, and then you end up coming out that other side at age 50, at age 60, page 70, ready to retire. And I always believe that that was BS, I had read the formal work Week by Tim FERS early on, and that book is not actually about working less, it's just about doing things more efficiently. And having more fun doing more of the things that you actually care about. And so I was always looking for, Hey, how can we do this? But as a corporate person, there's one path, you just follow that path and you really are kind of taught not to break out of it, but once you kind of step out and you realize that there's this whole other world out there of alternative investments, and when people think a Real Estate Investing in...

0:05:57.3 SP: Most of your audience are syndicates that are interdiction, so they've already been broken of this belief, but most people believe that in order to go and own real estate and to get the benefits that real estate offers, you've gotta go purchase a single family home or maybe a duplex or maybe a Four PLEX at max, and you're gonna put your own money and you're gonna manage it, all these things. And that was the thing that really blew my mind after coming out of the single family world and the fix and flip world, and seeing these apartments and realizing that it's actually quite achievable for every day people for credit investors who are earning good income, really love what they do, or at least making great money doing it, you can have the ability to quickly create that freedom to decide, Well, do I wanna keep going down this path that I'm

working on, or is there maybe another path in my life that I really want to do because once you start investing your money in the right way, and I really believe real estate, especially syndicated real estate is a key part of any diversify portfolio, you can see how quickly those returns can start growing, I mean, the idea of doubling your money with a fairly low standard deviation of risk, like you do multi-family and five to seven years is crazy to most people, they think that these returns are outlandish, but then once you actually get behind it and you realize that this is exactly what most people are expecting and receiving it can be pretty wild.

0:07:18.9 SP: Won't you agree?

0:07:19.8 WS: For sure, no doubt about it. What would you say there is a problem with the Star Market or... Just other alternatives though.

0:07:26.2 SP: Well, I think one of the big challenges with the stock market is that most people have no idea what they're actually investing in, they're usually looking to some third party to make decisions on their behalf, and yet some people are pulling the trigger and making those decisions themselves and there's nothing wrong, I'm a big believer in partnership, and I'm a big believer in advisors and mentors and coaches and people who are experts in their area, but one of the big challenges with the stock market is that there's the high opportunity for return, but there's also a high amount of risk that's associated with that, and you can go and use different strategies to try to reduce that risk and etcetera, etcetera, but one of the big benefits about real estate is that obviously it's a hard asset, this is something that is physically present, it's tied directly to that asset and over a historic long period of time, the asset values continue to rise, so as long as you look at things from a longer term perspective, five plus years, three plus years, you're in a fairly secure environment, you choose a great sponsor or somebody who really understands the business is gonna be conservative, used the right kind of leverage, and you can be in a great position to leverage the same benefits the wealthiest individuals and richest companies have been using for decades.

0:08:39.6 SP: Now is available to everybody, but most people don't know about it because guess what, there's not financial advisors who are pitching this 'cause they can't get paid on it because it's not part of their portfolio, so most people don't know about it, and obviously, you can go other

routes, you can invest in crypto and metals and all kinds of other things, there's great options, they each play a part in a diversified portfolio about real estate, in my eyes, should be kind of a core piece, taking up a significant portion because it's something that you can truly understand. It's a fairly simple business. And then when you find those right partners, great things can happen.

0:09:15.6 WS: No doubt about it. It's like you can go see the property, it, you can touch it, like there's this thing that you own, you own a portion of this, and there's people actually managing it that you can communicate with and talk to, as opposed to the stock market. I remember many years ago when it finally hit me, I just... In some mutual funds, this is long before real estate, but mutual funds, I went to this person in the financial advisor and they're gonna help me think through, we're gonna start planning for some kind of retirement some day, but it hit me that... I have no clue what I'm investing in, what I'm supporting here with these dollars and come to find out many things that I would completely disagree with and would never support, and so that really sent my wife and on a different path at that time, not into real estate at that point, but still made me think about me, but I wanna plan for retirement, but I don't wanna support these things that are completely unethical and against anything I would support anyway, and Real Estate allows me to do that.

0:10:05.7 SP: I think the other thing that's so key about what you're saying is that in real estate, there's not the same amount of volatility like even during covid when we're dealing with a massive amount of change that's happening in the market very quickly, asset values did not shy rocket to the bottom, and they did not sky rocket to the top, things don't move in matters of minutes when it comes to real estate, it's in matters of months or even years to make major change happen. What's great about that is that it's just less volatile on the flip side, if you're not a professional stock trader, then you don't love volatility, but if you are... You love the fact that you could put money in today on, Make a bet that that stock is gonna go up and you can hope to trade that volatility. But most people are not in that position. Most people are not ready to take on that kind of risk. Personally, I do a little bit of stock trading in a little bit of crypto as well, but... Well, I'll tell you, being in the market, it stresses me out, and when I'm in real estate, I don't look and wonder things might happen at a property, but they are problems that can be solved.

0:11:12.3 SP: I actually have some influence or I'm connected somewhat to those things when

Bitcoin goes up or stock ends up taking because of some bad news, there's nothing that I can do but sit back and experience those emotions

0:11:25.1 WS: When one person can tweet one thing and it take your investment... Like that risk, is that right? Oh my goodness. Well, Steven, I think you can speak to... I get this question all the time, people say, Well, I'm just gonna go buy my own single family home, right, why would I invest in a syndication, and I think they're really missing just the power of passive income, right? Always stress way, there's so much brain damage around that that you're not anticipating all the time spent, even if you can make the same returns, man, you're not counting just all the time and thinking time, right. Just spent managing and trying to find the next deal, all that, but you do speak to that a little bit, the power of passive investing and why someone would do that instead of buying their own deals.

0:12:04.5 SP: Well, I think the power of passive investing is really around this idea of partnership, I'm just such a big believer in my career, when I started in real estate, I immediately found an expert partner, I line my interest with that person, I brought value. They brought value and we were able to scale up together as a result, being able to do all those deals, he had never done that many, but he had the experience operating and I had never done a deal, but I had the experience on to go and bring these deals together and bring the capital and all those important things. So the same thing is true when it comes to pass. Investing as a passive investor, you're in a great position, you earned great income, you have access to capital, and you wanna be able to make a return, and you wanna do so while being hands-off and allowing the ability to leverage someone else's skill set, but as an operator, there's also a huge advantage, it allows us to be able to scale up more quickly, to be able to leverage the power of diversification with our own portfolio as well as the power of economies of scale, and so we all share in that together when we're passive investing, if you go the route of being a single-family investor, believe me, I've done it, I've done it the scaled way, and it was a lot of brain damage that went into that, you can absolutely do it, you can go buy your single family home and the advantage of single family, and so you can quickly get experience and you can quickly be able to enter a market with a very low barrier entry, but the downside is Why are you gaining this experience unless you are looking to actively operate these properties? Most people are in a position where they want the return, they want the benefits of real estate, but they don't actually want to become the expert, they don't need to be, because

there's a pass or investor of this great opportunity.

0:13:50.5 SP: There's somebody out there who has been doing this for a decade. They've got a lot of experience, they've been in the market, they really understand what's going on, and they're able to leverage the fact that they have that expertise, they built up the energy that goes into all of that, the access to capital and more effective debt and the fact that they're actually the one taking on the debt liability, all of those things are a huge advantage, and the only thing you have to do is spend time upfront, choosing and getting to know and getting the right operator and then putting your money in the deal and you literally get to sit back, you also have the benefit of not having the ability to make those decisions, so there's no reason to get stressed because you are not in that position of control, and so that can actually be a real advantage because when people are in that position to have liquidity, they usually make poor decisions, that's the reason why everyone sells when the stock market goes down, and they're buying... When the stock market's high... Right.

0:14:48.4 WS: Yeah, I was just talking to an investor just like around noon today, actually a new investor, and they had sold a house and they made a few \$000000 in a really good market on this home, and one of their questions to me was, why wouldn't I just go buy another home, everybody tells me is to just go buy another home, and he said, Why would I invest in a syndication and not just go by another home? And I said, Well, who found that deal? He found that house. They said we did, and I said, who managed that house? And his wife was on the phone too, and she said, I did, and I said, Well, who had to talk to that 10er take their calls or go fix stuff? And they said, We do. And said, who's gonna find the next property... Well, we would have to, I said, Who's gonna take all those calls... Well, we would have to, I said, Well, let's multiply that 10 times. I said, Can you continue to find deals like that... We'll probably not... Well, that's all I do is ask you a few questions and it's pretty easy for them to start to see, Wait a minute, there's passive investing things, pretty amazing compared to me trying to do that over and over and over, but then the conversation goes into, what do they need to know what do they need to do it, even before they decide to invest with a passive investor, what are some things you advise...

0:15:51.7 WS: Maybe some due diligence or things that they need to know to do...

0:15:54.2 SP: Well, I think it's such a good point because there's often this fallacy that, Well, if I

just go and do it myself, I can just hire a manager, but even in that position, you still have to manage the manager, you still have to make those decisions is still coming down to your dollars in your sense versus when you have that alignment of interest, like you do in a syndication, when I'm a sponsor and I'm the operator and I'm the one who's going out there and I make my money only based on success, 80% to 90% is based on success, so when I'm in that kind of a position that I need to deliver, I'm not gonna work for five years for nothing, I'm going to make sure that I'm going out and finding a great deal, I'm gonna make sure that I'm operating that, well, I'm gonna put that extra eye on each individual penny that's going out, and when you're talking about millions of dollars, they'll start adding up, and so it's super important, and that's why when you are going down the past investing around... The most important thing for you to decide before you even get into going on finding a sponsor is, what do you want and why do you want it? And we talk a lot about this on the investor mindset, so I encourage you guys to listen over there, and if you want to get more information specifically about how to figure out what you're looking for, I encourage you guys to download the passive investor playbook, it's an ultimate guide we put together, it's totally complimentary.

0:17:11.5 SP: You can just grab that at investor mindset dot com passive, and I'm sure when you include that, the show notes, but what's cool about... When you can get clear on what it is that you want and why that's important, it ends up putting you in this position to truly understand what types of investments are gonna fit. And so here's an example of some of those things. You're gonna wanna know, you're gonna wanna know, am I someone who's looking for cash flow monthly or quarterly, or like someone who's really focused more on equity growth of my entire portfolio or that investment, or maybe I fall into the category of being someone who happens to be a hybrid, I'm looking for both of those, because when you know that, and then you can attach that directly to what is my risk profile, how comfortable am I with potential loss, and how does that connect directly the type of return that I could expect? So when we combine those two together, it puts you in a position to understand what kind of investments I'm looking for, and then when you're actually going out and you're talking with sponsors and you're doing an intro call or a due diligence call, which I recommend you guys do, if you're ever interested investing with Von Finch, it's part of the process that you'll go through to have the opportunity to invest, if you're accredited, you can obviously see the deals right away, but it's a great thing that we like to do because we really believe in those relationships, so you should also want to have a relationship

with your spouse, passive investor, you're gonna learn a lot from those calls, I encourage...

0:18:32.6 SP: I do talk to numerous operators and ask many questions and ask them more questions you should be asking to... You learn new questions, you should be asking any specific questions you would say as the past investor should ask a sponsor, anything that you're like, Man, if you only got two here too, you should ask... I would say you absolutely wanna ask the question, what is your strategy? And why do you like it? Here's what I like about that question, I wanna understand what are they really targeting and why that is the strategy that they're going with, it's not so much about their answer, but it's what's below the answer, what it shows me is what their beliefs are, how they look at the market, and I wanna understand if those match up with my values, because as a passive investor, you're gonna have some values that are important, I love to be able to invest and know that I'm also making an impact. So when I can find opportunities that I know that I'm also making impact, I'm even more compelled. So when I hear a sponsor talk about that and I know that it's genuine, I feel more attracted or drawn into working with that sponsor, and I'm sure investors feel the same way, so I think that's important in questions that end up leading towards that values piece.

0:19:35.7 SP: The other question that I like to ask is, tell me about a time where you've actually lost money and what was that experience like? What did you learn from that? Now, I don't hear investors ask this question that often, probably because they haven't personally gone through a lost... But when you flip 200-plus houses, it's not about one loss, doesn't really hurt anything, we've never been in a situation where we have not... In other words, we've always returned investors capital, we've always ensured the returns we were projected, but I personally have had deals one or two or three that I have lost money on, and as a result of doing that, what it did was it really clarified how I look at risk, and how I look at hedging and really covering that downside risk, and so why that's important is because if you're talking to an operator and they say, Well, I've never had a loss before, and I've never seen any kind of loss, even if it's not in real estate, and they can't talk to it, it's gonna be difficult to know how they're gonna handle that when things happen, maybe another way to ask that same question is to ask, Well, tell me about a time when a deal you're working on did not end up going as you had planned, or expect it, because it's gonna happen, this stuff happens, and through those questions, there's a ton of other great due diligence questions that you guys will get when you download that past investor playbook that we

dive into, but what's good about these questions is you start to understand who they are and what they believe, and you wanna make sure those are in line with what you believe and with what you're looking to match up with the type of investment you're looking to do.

0:21:08.2 WS: Yeah, I always wanna know someone's character... Right. I like asking questions that... Tell me about how they became who they are. It deeper than the deal or the market or some of those things, I really wanna know the character of this individual, if they're not trustworthy or integrate, it doesn't matter how good the deal looks. Right, so Stephen, say your past investor, you're talking to a sponsor, you ask them, How do you prepare for a downturn... What do you like to hear?

0:21:32.2 SP: Well, what I like to hear is that when we're purchasing the property, we're being conservative on underwriting, but then I wanna ask, what does that really mean? And so what I'm looking for is examples of the types of revenue or types of expenses that the investor or that operator that sponsor is holding back, in other words, the types of deals that are being done, there's a lot more upside than what's being presented, the reason why that's important is because things do change, the market is an organism, and new people are coming and going, and properties are changing, and we might have a plan today, but we're gonna have to be able to adjust it. So what I like to know is that there's some built-in buffer in my ability to get the return that I was projecting, so I like to hear that if I'm an investor that they're conservative and I want some specific examples, I like to know that leverage is low or moderate in comparison with the risk profile that I'm comfortable with, in other words, when I have a lower loan to value or a lower loan-to cost, that puts me in a position that I'm a little bit more conservative.

0:22:39.2 SP: I also like to see that sponsors are having a nice sizable reserve, that reserve could be for construction, that reserve could be specifically just money sitting in a bank that is never gonna be touched during the entire investment. I don't have a specific amount because different types of deals require different types of reserves, but what I like to know is that they have the ability to continue paying the debt even when vacancies happen, so understanding that vacancy rate number, all of these things end up leading me to a position of being able to look at that deal and the sponsor was operating it and say, I feel confident that should some major event happen in the world or some kind of big shift that we'll be able to weather that storm, that we can

continue paying the debt, and that as a result of continuing to pay the debt, we will find our way to the other side of that canyon where we're back on solid ground again. And I think that's what it all comes down to. As long as we look from a long-term perspective and we can navigate any kind of treacherous waters that we have, that everyone's gonna come out in a good position.

0:23:44.0 WS: No doubt, reserve. Budgets are a must for me. I wanna be able to weather that massive storm and a pandemic it all at the same time, if at all possible. What about your best source from meeting new investors right now?

0:23:55.8 SP: Yeah, I think the best place for investors to meet great sponsors is listening to phenomenal podcasts like this, and then going out and really using this as an opportunity to get to know people on a deeper level, so you've heard us here, you're listening to show all the time, go and follow some of those sponsors. Start getting a chance to get to know them. I love going to events. And frankly, any way that I can get into that funnel, in other words, any way I can get into the position where I'm in front of that sponsor, and then I can start going through my own diligence process... Right, 'cause we talked about the conversation's important, but what I like to do is I like to really get to know somebody, I recommend you guys do it as well, so it's phenomenal when sponsors have a podcast or have some kind of social media presence and you can really start to understand what they think. What they believe, does this align, like a lot of the investors that invest with me invest because they happen to have that similar vision and view of that life can be better, and that real estate is one of the best paths towards creating a better life that it's a tool of vehicle that you can use to be able to accomplish the things that you want, and below that, there's a bunch of beliefs and values that other people, either they want to have themselves or they currently have, and so they know that I'm gonna carry those forward into the deals we do, and so I would recommend you guys go out and get a chance to get to know people so that you can invest in deals and know confidently that they're gonna be able to take care of you.

0:25:21.7 WS: What's the number one thing that's contributed to your success?

0:25:24.3 SP: I think the number one thing that's contributed by Success is relationships, I really believe the power of partnership is the strongest path of success that's both for you active

investors out there as well as for you passive investors. I really believe that life is full of abundance and that if we come from that perspective of how can we be a value and service to one another, that great things will happen, and so by having that concept, by having that ideology in mind, I feel like I've attracted some great people into my world, and we have an opportunity to do great deals together and be able to provide phenomenal returns, it's just been a lot of fun.

0:25:59.4 WS: And how do you like to give back...

0:26:00.9 SP: Yeah, I like giving back directly, I'm a big believer in having an opportunity directly to work with people who are looking to shift their beliefs. I grew up with two amazing loving parents, but in kind of a rough household, surrounded by a bunch of beliefs that weren't empowering, and so one of the things I really like doing is getting directly into classrooms that you and your achievement and talking with kids directly about the idea that you can change the way you believe and that your family history or a situation doesn't have to be the situation that's gonna end up leading you forward, it can actually support you, and that's one of the ways... There's many of ways, but it all comes down to changing mindset and changing beliefs.

0:26:41.2 WS: Steve, it's been a pleasure to catch up with you again and really just go through the power of passive investing, you just lay out many things that any passive investor should know before they get into this business, but ultimately, man, I mean multi-family syndication versus single family, to me, there's just no comparison, no comparison whatsoever, and I appreciate you just laying that out there, you've definitely got the experience and both sides of that coin now, for sure. So just grateful the content, the education that you've brought, and tell the listeners again how they can get in touch with you, learn more value.

0:27:11.5 SP: Yeah, well, I appreciate you guys listening. If you like listening to shows like this, you like our conversation, definitely click over right now and go and subscribe to invest your mindset podcasts, I think you're an end up loving it. The second way is definitely head over to investor mindset dot com and pick up that passive investor guide, you can do that, an investor mindset dot com passive, a lot of great resources in there, and if you're looking to get in touch, I definitely shoot me a direct message on your favorite social media app, let me know that you came from this show, and me or someone from my team will help get us in touch so that we can help support

you on wherever you're looking to go. So thank you guys for listening, it was definitely a pleasure being here and thanks for having me with...

0:27:50.5 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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