

EPISODE 1068**[INTRODUCTION]**

[0:00:0.0] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:01.6] WS: This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today our guest, is Stony Stonebreaker and Lennon Lee. They are the founders of Passivo. Stony and Lennon started as independent real estate investors searching for new multi-family acquisitions, their chance meeting at CCIM in 2017 led to a partnership in teaching the advantages of passive investing and commercial real estate to their families. They continue to reach out to their communities until it led to creation of Passivo REI, so Stony and Lennon, they have created a platform and working on this platform to help passive investors, and when we go into that focus of theirs, we also go into a recent deal, 262 unit deal that they worked on in Houston, but we go through to some ways that have helped them to raise more money, some specific things that they are doing that they have found that consistently bring investors to their network.

[0:01:21.5] WS: I hope you enjoy the show. Stony and Lennon, welcome to the show. Lennon, know you and I've known each other for a few years now. It's been incredible to see your growth, everything you've been doing and working on, looking forward to hearing more about that right now are on the show, but tell me a little bit about linen, Sony, what you all are working on, how you all working together, what this looks like

[0:01:42.6] SS/LL: Yeah, man. Well, first of all, thank you for having us. Yeah, it's been a while since I was last in your show. So he was as well. A few months back, but anyway, yeah, man, thank you. And we're pretty excited with a new company, Stony and I have been working to other as partners as limiters and as CO-GPS and different forms of partnership in the commercial real estate space, specifically with multi-family deals, and we finally decided about a year ago actually, we launched this year, but we decided last year to formalize our partnership and build Passivo,

which is the new company, the new brand where we're basically... At the end of day, we're trying to build a community of passive investors and trying to help ourselves, of course, but also help our investors to become better passive investors. We share our content and education and best practices on how to do just that and ultimately be able to achieve financial, but more importantly, time freedom for our families and our investor's families. So we're excited about that. Just recently closed a deal, who are trying to look for the next one, raising capital, doing marketing and doing a little bit of everything, just trying to grow the company and the brand.

0:02:56.0] WS: Awesome, awesome place. I guess, tell me a little bit more about that focus and how you're helping investors and what that looks like... Yes.

[0:03:04.0] SS/LL: So the name Passivo, it's Spanish for passive, but we kept the two assets there in Spanish, you only have one S, and the idea behind it is... Well, I'm from Latin America and moved to the United States about 11 years ago. So a lot of our investors are from Latin America, and our friends and family from Venezuela, where I am from, and ultimately, I think we have a pretty unique story, me being Hispanic, and then partnering up with Stony as American as they come, but he lives in Miami and we're hearing in the community, and we have a bunch of friends that are Hispanic or have Hispanic heritage. And ultimately, we wanted to focus our brand on helping the Hispanic accredited investors to build wealth and build passive income and financial freedom as well, so that's been the idea, to be honest, right now, like in the past couple of months and into the future, it's... When we're actually gonna be implementing specific strategies to tackle that market and cater to those investors, of course, it's not exclusive, we're gonna be always taking investors from wherever they're from, but that's why we named it as just to basically have...

[0:04:13.3] SS/LL: Identify it with a Spanish word and the Hispanic investors.

[0:04:16.5] WS: Yeah, I think it's incredible. I love that name. And that there's a connection there as well. Why don't you all tell me, Tony, your role versus linens in this business. What do you all do? What are you all focus on just independently, that's helping you all move forward,

[0:04:30.3] SS/LL: First of all, thank you for having a winning... We really enjoying it, and I kinda focused more on deal sourcing, god business model is to partner with sponsors who are experts in a local market, and to understand the market we can ourselves be locally in all the markets, so we want partners who we've vetted, who we've known for some time, we've done checks on and make sure that they are good solid people, and make sure that we create the kinds of deals that our

investors are looking for. So I focus primarily on our sponsor relations, and Lennon then focuses more on the industrial relations, and basically that's how we've divided up our role. Okay.

[0:05:15.7] WS: No, that's awesome. So give us a little more about, I know sponsor vetting relationship building, that's like the key, right. As far as the scaling your business, give us some of those key things as far as when you all are vetting sponsors, even, What are you all looking for when you're vetting a sponsorship team.

[0:05:30.8] SS/LL: We're looking for people who we can trust, there's all kinds of ways to mitigate risk and investing and alter it to multi-family properties, but it's easy to do some diversification of your investment portfolio by geography and maybe by industry or sector and so forth, but we feel like the key to being successful in this investment strategy is to have really good team partners and professionals who really know what they're doing, and not only that, but especially if they're trustworthy and they're good folks, they can take a deal and can make the best out of a deal, he surprises happen and they will in these deals. So what we do is we'll do a background check, we'll get to know partners for a while, we'll do all kinds of referrals, we'll do online searches as well and different things like that over time, we'll attend an industry event in person and of course, meet them, go to their markets, to our properties with them, we do a very thorough background check, we have a whole process that we go through, I like to ask it, so we can make sure that the partners that we're teaming up with are the right kinds of partners for our money that we invest in, our family's money as well as our investor's money.

[0:06:45.0] WS: Of course. They're not trustworthy. I say, You know what, the operator's character means more than anything else, if you don't have that, the deal of the market and then other stuff really means anything to say the least.

[0:06:56.2] SS/LL: Like Stony say, we have a pretty extensive, I would say a checklist of items that we wanna make sure we cross off that list in terms of background check and understanding how they're legally structured, how they structure their deals in front of their investor, it... It ends for us to do a mentor with them on the general partnership side, and I went to staff from how many principles there are on their team, one of them goes away gonna take care of the operations on their end, but I always like to say that checklist everyone can obviously build their own, but you can go to school and you'll find a bunch of resources on that, that's on paper, technical stuff that everyone knows that you need to order, check the numbers, the previous deals and all those numbers are all that good stuff, but at the end of the day, there's gonna be a ton of teams out there

that are very well qualified in terms of the numbers, right, but do you like them... Do you wanna deal with them, do you wanna be communicating with them, getting married to these guys for a few years anyway, and ultimately, if you don't like the guys, I don't think the money...

[0:08:03.2] LL/SS: It's worth it. That's the way we look at it anyway, so for us, after all the background checks and all the technical stuff, we wanna have a good relationship, so we really focus on meeting our sponsors personally and try to build a relationship on the personal side, see how they... You're eating out with them, then how do they treat the waitress, how do they treat their family or their partners? And that tells you a lot about the person. And I think that beyond the legal aspects and all that, that's gonna tell you if you're in business with someone that you like and that you trust.

[0:08:34.4] WS: I like how you said, seeing how they treat the waitress or their family is so telling of that individual and you mentioned being connected almost married, right, to this other business for five years potentially, or longer, seven years, and that one communication or how they treat that waitress could show you some of those things that you need to know before you ever even look at the project, but on that note, I know you all close the deal recently... Why don't we talk about that a little bit.

[0:09:00.5] LL/SS: That 262-unit apartment complex. And Houston, in the southeast market of Houston, let's call later, I think it's the city. Right, and I'm pretty excited about that one. We brought our investors, we partner up with a pretty good group that we've had a relationship for a few years, finally we decided to partner up on a deal, this one made a lot of sense for all of us, and yeah, we closed about a month and a half ago, I don't know when the guys are listening to this, but we closed in July 2021, and it's a pretty good deal. The reason why we like it is that from day one, it's cash flowing pretty solidly, we're projecting 8% for our investors on year one, which at this point in time, it's pretty rare to find that. Plus a good valley at play right now. And I always talk about this, if you wanna keep the same risk profile that we've had... We started investing in multi-family in late 2015. You need to understand that something's gotta give it... You need to understand or adjust their expectations, if the same risk profile is what you're looking for, then the numbers are not gonna be the same as four or five years ago, you could find a deal, but it's not like in this case, we really believe with the final that the target number is that we were happy with, and the right balance between cash flow, appreciation play, which again, it's pretty rare right now, it's either more cash flow or maybe cash flow stuff for some year one or one and a half, and then it more than an appreciation play.

[0:10:30.4] LL/SS: So we're pretty happy with that. We have a bunch of new investors that came into this deal, so this is actually the first deal that we did under the Passivo brand, so it's pretty exciting swell because... Ye that.

[0:10:41.3] WS: That's awesome. Congratulations on that closing. Tell me something you learned through that process, through this deal, specifically getting it to the closing table anyway.

[0:10:49.5] SS: Did you learn... We learned a little bit with each new sponsor that we get involved with and how they do the deals, how they communicate, especially because that's real important to stand to our investors, is how well do they communicate what the process is, what is going on with a deal and to make sure that our investors know, and so the sponsor is very good and we really like that. I think we found out, especially on the property itself, that there are some kind of a little bit different value-add activities there, some amenities, there are some smaller buildings there that are laundry units and they have empty second floors on them and that they're gonna be changed into a business center. And so each property seems to challenge our creativity or our partner's creativity to get the most value add out of there, to identify different kinds of ways to increase the value so that that property can bring back the best returns for our investors. And so that was kind of a different challenge in some areas there, we've done fitness centers, of course before, but this was kind of a different way, and we also had some Backyards there that were not being in...

[0:12:00.7] SS: Taken advantage of... Well, so there's some other different amenities like that, and we really like...

[0:12:06.2] WS: No, that's awesome. It's just to hear too, it seems like every deal we do, we learn a lot, there's something new that happens that we haven't seen before or haven't heard of, or it's just always a learning experience. What about who you all are focused on, investor relations and meeting new investors, those things, tell me not your best source for meeting new investors right now, what are you all focused on to grow that side of your business.

[0:12:29.5] LL: We've been raising capital for a couple of years, now, and we're starting to see a lot of people, and this is pretty interesting because at the beginning, yeah, you have friends and family, people that trust you, but then you have brands that are necessarily not your best friend, but just people or acquaintances that you know from the club or wherever, and basically they were waiting for you to be successful or fail or whatever, just waiting to see what happened at the

beginning, and then at this point, we're starting to get a few leads and have people that... Yeah, we've known for years, but they've never really decided to invest before, and now they're thinking, Okay, now I see that you've done a few deals. Now I understand what you do a little bit better because of all the content that have you been sending out, so that's starting to pay with evidence in terms of getting new potential investors, so I guess consistency and putting content and educating people and sharing what you do with people out there for a few years that eventually starts to pay up when I was... I would say... Well, it's definitely bigger pockets, man, when I started raising capital, that was a platform that I was pretty active on, for whatever reason, I kind of stopped posting for at least for a year, maybe a year and a half, then we kinda started posting and being active again, on bigger pockets, and it...

[0:13:45.5] SS/LL: At least every week, we're getting a new potential investor from bigger pocket, so I would say if you're raising capital out there, for sure. Be active there. I think that's the great place to build relationships and share your expertise, and that of course brings new potential investors. Yeah.

[0:14:02.9] WS: That's a great point. I'm not heard too many people talk about e-posting on BP or being religious about being active on there lightly or maybe over the last six months to a year, speak to that a little bit more like when you say posting or are you writing a blog or you just writing a question, What are you posting and how are you adding value to people or to potential investors?

[0:14:22.4] SS/LL: What I've been doing mostly myself, is to either respond to... Post, other people have put up there. They're asking for advice. One recently was they were looking in South Tennessee for some markets, what anybody thinks about? Some markets there, and I know a couple of the places there from my family having a summer house in Southern Tennessee, so I've put on a few suggestions and ideas, plus with our experience in syndication over the years, a lot of people are wondering, What are these things called syndication. And there's newer investors, some people have been saying 2 jobs and are looking to just get into the real estate investing space as passive investors, and so I'll suggest some things, maybe some books to read and different things like that, sometimes I'll post a question or an explanation of some kind of term that you'd find typically in a multi-family glossary up there, just so people can respond to that and say, do they agree with ad... Today have anything to add to it. And so there's all kinds of ways to generate interaction with other people like that...

[0:15:27.2] WS: No, that's good to know. I just now often like a listener here is something like, Well, posting on this one, and they may not really know what that means yet, if they haven't been active on social media yet, how else have you all been sharing... When you mentioned sharing what you've been doing, and I think it's so true, obviously, so many people in the beginning are skeptical, right, Well, is he really gonna keep doing this... Is you wanna be successful? And then all of a sudden, two years later, they're like, Okay, yeah, he's really doing this about Dr. 62 uniate really brings some legitimacy, right to your business into what you're doing after they're seeing numerous projects like that and so many other investors who have had success with you, how are you sharing that? What have you seen to be the best for you just so more people can learn about you all we

[0:16:08.9] SS/LL: Stony set in Deir pockets, just what Tony said, just posting on a natural form, but then every week we put a new articles, like an actual block post, bigger pockets as well, so that's super helpful. Being consistent there, and it's like a more robust, more educated piece of content for everyone rather than answering a question, but both elite... Everyone should be doing both. Other than that, well, we kinda stop for the past few months, but part of our strategy is just Osvaldo into our YouTube channel, that always helps. Having a podcast like you do well is already know this, but just choose a platform if you're getting started, just do the platform that you feel comfortable with, meaning, start by thinking Well, video-written or audio, and then go and then choose a platform that makes sense to you, but for us specifically, at this point, we're active on basically our social media, all the platforms from LinkedIn to you to pre-active on Instagram, myself, and the other thing is, which we're getting back on track with in-person meet-up that had a wonderful results for me, when I got started, I started a big meet up here in Miami, specifically about multi-family investing, right now we're peaking it a little bit just to be more specific and more targeted with our strategy, with our content, I think focused...

[0:17:27.3] SS/LL: So pick a niche and go for it and go deep instead of why, at least at the beginning, and then you can go wider, and in our case, it's just the new me up that we're gonna launch soon, it's gonna be focused on the passive investing side, I think I mentioned it at the beginning, we wanna build a community of passive investors and the best passive investors there are... It just so happens that for us, the best vehicle for passive investing, not the only one, but the best vehicle is multi-family indications, but that shouldn't be the only strategy that you look for, so sharing all this education in person with the network of investor, it's gonna be super valuable. And then online, all that you do in person and all that education, just put it on a piece of paper or on a piece of audio or video, and just distribute it to all social media, you never really know where

investors are gonna be coming from, especially if you have a long-term view, you need to understand, Well, today, active investors might be more like on LinkedIn and maybe bigger pockets, like the people that are actually gonna invest with you right now, but on Instagram, you might be building a nurturing relationships or potential leads for the long term for 10 years from now, if you start educating them now, they're not accredited, maybe they're not really in a position to invest passively, but in five, 10 years, they might be so just be top about all those things, I guess.

[0:18:50.2] WS: Yeah, no, that's incredible. And no doubt, we wanna be the best passive investors, we can be... And we need to know of networks and meet-ups like you're talking about, but I use to you like to hear the hustle behind what you all are doing and creating this educational vehicle platform for investors as well, what about... What's a couple of ways, or maybe even one way that you have recently improved your business that we could... APO, our syndication business.

[0:19:13.7] SS/LL: Right voting, part of it is the education aspect to help the investors become better investors, that's what we're trying to do, is make sure that they are better investors for their own families and for their own children, and leaving a legacy, if that's what they will want to do... And so I think in our case, we have a small collection of professionals that we refer to our investors, their legal, tax, business investment professionals that we don't get a referral fee for, but we like what they do, how they do business, and we refer them to our investors, so that they can get more professionals for their own investing strategy for their own investment planning and so forth, and so they can use that to create for themselves and better investment plan and talk about strategy and so forth. Basically, that's one of the things. I think there's many different companies that, like I said.

[0:20:11.9] WS: As far as you wanna go deep, you...

[0:20:13.3] SS/LL: You wanna be very specific, but then you wanna try as soon as you can, Wenatchee bit in terms of the value really that you offer it, because ultimately, we wanna have investors that are educated not only on how to specifically invest in a real estate syndication, but then the tax strategies to stay planning how much money can you keep and more wholesome approach to their portfolio, understanding at least pointing them in the right direction and to other investment strategies, but we understand that again, like I mentioned before, we have a very powerful product, if you wanna call it product or offer, but there are others out there that you should

probably be investing in as well, so we wanna ultimately, right now we start a shift in our strategy to include that conversation with our investors and allowing them to, again, build a more robust portfolio rather than just, Hey, invest with us and then you do other stuff with some other people that can help you.

[0:21:09.5] WS: I love that you're really fulfilling other needs for the investor, right? You're becoming more of that one-stop shop for a lot of those things that you already know that they're gonna have issues with or questions about... Right, and ultimately you're gonna build more loyalty and long-term relationships, the more times that they're calling you as opposed to having find other people, if you all can help them without it. It's interesting, I had a guest earlier today I was interviewing, and he sold a quarter made no her business that he sold it when he was 19 years old, and it was a lawn care business, it was before he got into real estate, but all that to... He talked about how he built those relationships, he sold this land care business because of the loyalty of all these clients that he had, and he said he built that loyalty because he would cut the grass for an elderly lady, and if she needed some boxes carried to the basement while he was there... Well, he would do that for her. Right now, this is like over a few years time, like little things like that built up to a quarter million dollar business that he sold when he was 19 years old, and it makes me think about you all here like you're carrying the boxes...

[0:22:11.0] WS: Right, you're finding these other things that investors need that you already know they're gonna need help with. Right, it's great. What about any daily habits that you all have, that your disciplined about that have helped you achieve success?

[0:22:23.7] SS/LL: Yeah, my dog keeps me on schedule, he get me up early and he wants to be fed and taken outside for a walk, so I get up early every morning to do that, and that's a good habit that I have. Well, yeah, exercise and I recently got back on track with my fitness and all that, and again, it's no secret, I don't think I've ever heard anyone regretting working out after you work out, you feel good because you feel good and you feel proud of yourself, you feel they accomplished something to give you energy, particularly mentally, it's just good and everyone knows that, but I don't know, I guess we forget it, it's hard sometimes you don't have time, whatever, we make up excuses to not do it sometimes, and then you fall off the wagon and you find yourself six months without really being active or are even more so TIBCO track with fitness, and it's been amazing for me, and just staying on top of your education game, do it on into podcast or reading, whatever, where you wanna consume your content. It's always pretty good. I listen to podcasts every day, sometimes about real estate, sometimes just about life, it's just listening to people that inspire me

and that keeps me...

[0:23:36.5] SS/LL: Well, inspired, I guess so, yeah. I think education and continuing to educate yourself every day and staying fit...

[0:23:43.6] WS: No, that's awesome. Yeah, I've fallen off that bandwagon time and time again, it seems like get back on it and know how much that exercising makes me feel better, like you said, you've accomplished something and man, you're ready to go tackle something else. Right, but what about if you had to pick one thing that's contributed to your success, what would that be for me, patients...

[0:24:01.5] SS/LL: Yeah, and long term to the nature of our business that when you're getting started, we are... There's not much money coming in in terms of you're having to come in pretty rich or cash flow rich... At the beginning, the bulk of the money that we make, our money has sponsored and general partners comes at the end of the deal, so the inpatient and not listening to what people will tell you, and I have had a bunch of friends that they've never really understood that my business model or what I was doing and they were thinking, Hey man, you need to come work with me or do this with me, or they have this opportunity, and it's like pain-focused and believe it on what you want and what you do, it's been huge for me and the inpatient understanding that, Yeah, it's gonna pay off, it's gonna take some time and it's a long-term play, but again, it's not easy, of course, but right now, I'm talking like this, my good days and bad days, but I think right now, or in general, this is the way I think... And it's been pretty helpful.

[0:24:59.5] WS: Yeah, patience is key, gotta be willing to stick it out for the long haul, that's for sure. The hustle required to get started in this business is quite intense, so how do you all like to give back to

[0:25:10.2] SS/LL: The way we like to... Is to, as you mentioned, I mentioned before, is to help our investors become better investors all around, and help them so that they can build a legacy, build a better investment plan, maybe require earlier and they're investing careers, so that they can also maybe leave a legacy. We like to think that by making sure that our investors are better investors to become investors for us as well as themselves, and they will understand where the high costs are to take away from their investment growth over the years, and so their investments can grow faster and grow more broadly and get to the point where they can give back themselves, and we'd like to give back, and before the covid, we were just about to start on a program teaching under

privileged kids, it's a Big Brothers and Big Sisters of the cash flow for Tamaki has done. And that put a damper on that, stop that, but we're waiting to get that started again once things get a little better for social distancing and so forth, and we think that educating people in that kind of thing is going back to the community and our investors and also do that, the biggest way we are actually giving back, and it's by giving back our investors their time, that's really the whole reason why we're doing this.

[0:26:40.3] SS/LL: We're a strategy, time freedom, which is on our message in ourselves, to be able to not continue or to eventually not have to trade our hours for dollars and just get in our time back, just time to do whatever we want. So I think that would say that's the biggest one.

[0:26:58.7] WS: Yeah, time freedom. That commodity of time. You can't get any more of it. And when an investor can build a relationship with somebody like yourself and trust your process, or you're providing the amazing opportunity for them to really come in under your vetting process and also just have the opportunity to the deals that they wouldn't typically have an opportunity for, and to build that passive income stream, so they can hopefully gain more time back... Right, so listen, pleasure to have you both on the show lending. Great to catch up again. I know it's been about two or three years since you were on the show last, but I love the name passion also, I hope I'm saying it correctly, but incredible to see what you are creating and where you're going and how you're helping investors, tell them... The listeners, how they can get in touch with you, learn more value.

[0:27:42.8] SS/LL: The easiest way, just go to our website, passivorei.com, and I'm sure you don't have another show notes, but... P-A-S-S-I-V-O-R-E-I dot com. Just make any other buttons there that say, invest with us, they'll take you to open your profile on our investor portal, and then you'll be prompted to set up a call, you wanna connect that way, but if not that you'll be already with a profile here you have access to our newsletters and all that good stuff. I'll also say if you're interested in learning more, a little bit more about our investment philosophy at passive, just go to [particle dot com](https://particle.com), dream, you'll be able to download the app on our e-book right there, all four investing rules for the new American Dream, and other than that, we're pretty active on all social media platforms, and it Lannan, stone breaker, and I think they're very typical name, so you'll be able to find us pretty quickly.

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