

EPISODE 1092**[INTRODUCTION]**

[0:00:01.6] 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. Are you in need of confidence boost in your real estate journey? Remember behind every success story is a failure and getting up again. Draw inspiration from these real estate success stories that we've heard on the show.

[INTERVIEW 1]**0:00:42.5**

WS: Our guest is Joel Florek. Thanks for being on the show, Joel.

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Joel Florek: Very much happy to be here.

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WS: I'm excited to have Joel on the show, just 'cause I know a lot of the listeners are in the same shoes he's in, and just interested in hearing how he got started and things he had to overcome. And, also congratulate him on just making this happen at being 25 years old.

But, Joel, get us started. Tell us a little bit about your background. How did you get into real estate And catch us up to where you're at right now?

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JF: Yeah, so it goes back to, as a kid growing up in Michigan. My parents, they kinda dabbled in real estate. So, we move into a house, we remodel it, they find a new house, we'd move into that one, and typically they keep the old houses or rental. Eventually they get frustrated with the tenant issue or something would come up, they sell the house, then they might get back into the rental thing a few years later. Both my parents had full-time jobs.

But I got exposed to renovations and renting residential rentals at a very early age as I got older, and I started to figure out what I wanna do as a career, what are my financial goals in life? What are my life goals? That's a big thing for me. I really started to look at what other people were doing in the world of real estate. Something that I was comfortable with, not excited about, and

after really trying to look at all the different niches, it seemed like multi-family apartment investors were not only the people who were able to achieve the financial success that I wanna be able to achieve in my life, but they also live the type of lifestyle that I want to be able to live. I certainly have no problems at health with working hard, getting my hands dirty, putting in the work and the effort.

But at the same time, I wanna be in control of my life. I wanna be able to have opportunities to get out on the water and do some long-distance sailing trips and travel with my family. I have a wife and a young daughter that's gonna be two years old here. So, being able to have that flexible lifestyle is really important. So again, going back to looking out and seeing, Hey, the people who own the big apartment complexes, those seem to be the people that have the flexibility to live the type of lifestyle they want and be able to live with the financial means to do it in a pretty fun way.

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WS: So, what was your first property that you purchased?

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JF: Yeah, so right out of college, I started work as a Program Manager with a small engineering company, and I took advantage of having that corporate income to go and buy a four-unit multifamily property. So, I looked in one unit and some renovations to the others, got them rented out and pretty quick, right out of school, I'm living expenses free. So, that was a pretty cool feeling to feel like, nothing for living expenses, especially coming right out of school. So, I got that very early win.

And then pretty quickly, as I was going through the renovation process, my carpet installer had actually given me a heads up that one of his other clients was looking at selling a 16-unit apartment complex. And I was a little taken back. But when I threw out the suggestion that I am trying to find another property to buy, I took advantage of the opportunity and got connected with the owners. And actually at that time, I had looked at a lot of opportunities to try and pull that deal together. Primarily I was looking for investment partners to come in with me, try to do a syndication type model, maybe it's not true syndication, just a couple of partners to be able to purchase the property.

But I really struggled with that. Again, I was 22 years old, very young, very inexperienced in most people's eyes. I eventually worked out a deal where the bank would allow me to find an 80% through them, and then we gotta sell our second position mortgage set up for about 16.5%, which put me in a situation where it's very low money down, we structure the closing on the first, had those rent payments go to the seller on that first month. So, that was a nice privation off of what I owe my down payment.

So it turned out to be where I only had to put about a percent and a half down in order to purchase this 16-unit property. And that catapulted my real estate from the side hustle hobby of trying to create some financial success to just real business. If it starts to fail, my day job can't

support it anymore, it truly has to support itself, so that's when things kinda got, I guess, serious. And also a whole lot of fun.

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WS: So, you just got out of college, you got the corporate job, and then you bought the four-unit, which was such a smart move. A house hacked, which is a term I'm sure a lot of people have heard of, living in one unit while renting the other three is just a great idea. I wish I had done that when I was your age. 22, but at 22, you're looking at that 16-unit and thinking about, "Oh my goodness, you said you kinda set you back, thinking about can I do this?"

But going back to, from jumping from the 4 to 16, tell us some things you had to overcome, or even at the four-unit, how did you finance the four-unit before we go to the 16?

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JF: Yeah, so the four-unit, very fortunate that my parents were in a position to help me with a down payment. So, we structured a small loan, paying 8% on their money, but they gave me basically \$25,000 as a small loan, could use that as the down payment, and they co-signed on the loan with me. We've got a commercial loan with a local lender in the area, so I couldn't have done it without my parents that quickly. I had a purchase agreement on the property, we were under contract before I even started my first job.

So, certainly if I would have waited maybe six months into my job, I would have been in a position where I could have done a more conventional route for financing that, and have been able to save up some money. But three weeks after starting my job, I had closed on the property. So, we were able to move really quickly... Just a month after graduation, I already had my first rental property.

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WS: I love it. You said you're under contract before you even started your first job. That's incredible. That's really great. But move from the 4 to 16, tell us some things maybe you had to overcome. It sounds like obviously your parents were on board with this decision to pursue real estate, but what were some obstacles you had to overcome that probably some of the listeners are facing right now?

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JF: Yeah, like I said, number one thing was going to the 16-unit is getting serious. It became a business, I had to make sure that I had the numbers right. I was able to spend quite a bit of time with the sellers, understanding the numbers, and learning from them. It took us about four months from when I first started talking with them to when we actually closed on the property.

So, it was a pretty lengthy process and very fortunate that they acted almost as a mentor to me as I learned what it would take to actually put all the pieces together. Some of the things that I definitely had to overcome though is trying to figure how to finance the thing, that was certainly a large challenge in my eyes at the time. Again, I reached out to a lot of people who had money

in my network, all that experience in real estate, but I didn't want to do the day-to-day work anymore. And while they all were excited and thought it was a pretty good deal, I kept running into issues where they wanted all the deal and basically wouldn't leave me with much of anything. So it would be a situation where I would have had to do a lot of work to ultimately not be able to get much at all. And I didn't have the capital to be able to put into that so going with more of a traditional finance, 20-25% down, I wouldn't have much skin to be able to put in the game with any investors at the time.

And again, I was managing a rental property for 10 months at the time, eight months. When those conversations started, it's not like I could show them a track record and put together a business plan and say, "Hey, I'm confident I can execute this, and here's my track record that should provide you with confidence that I can execute the plan."

So that was certainly a challenge and I didn't overcome it, but thankfully, we found a different route by doing the seller's second position mortgage. And ultimately that's kind of been the big thing that I focused on is building up my own portfolio, building up my track record, creating a plan, showing that I can execute my plan so that years later, now, I could put myself in a position where when I have conversations with potential investors on the deals that I wanna do in the future, the conversation is much different today than it was back when I was 22 years old.

[INTERVIEW 2]

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WS: Our guest is Michael Wayne. An interesting thing about Michael is he is 25 years old, and he just completed his first development of 43-units, it's a mixed use space raising \$1.8 million, making it happen. It's interesting to hear part of that story and how he got to this point. Not many people with that hare developing projects successfully.

Tell us a little, though, about over the last few years, how you got into this kind of commercial real estate and must go into what you're doing now?

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Michael Wayne: Absolutely. Well first of all thank you, Whitney for having me on. I really appreciate it and am looking forward to the opportunity to share my story today. So, the story somewhat goes that I was an Indiana Hoosier living down in Bloomington, and I graduated from there in 2018 with a degree in entrepreneurship and then supply chain management, and so I decided that, you know, despite being an entrepreneur my whole life and running lawn care companies Healthy Vending Machine businesses, photography businesses, that I really needed to get what I would consider or at the time I called a real job. And so, meaning W2, 9-5, working in a big city, and giving that a shot after school so that's what I started doing, which lasted for about 18 months. I work for a consulting firm in downtown Chicago. I live down there, had a bunch of friends down there and had a whole lot of fun, but just knew it wasn't really long term for me. I didn't see myself with that company long term and really didn't see myself, you know, sort of tolerating the nine to five lifestyle and really just having an entrepreneurial itch that I had

to scratch. So, a friend of mine at the time, his name was Alec who's now become my business partner and one of my best friends.

Alec and I were at a similar point and both realized that the entrepreneurial path was our way out so to speak and wanting to pursue something so we started looking into different options and quickly recognized real estate was a very, very powerful tool. And, if nothing else could be a means to create, you know, income that could be used for other purposes down the road so we saw it as a good stepping stone for us from what we were currently doing which was my case like transaction advisory, Alec was in private equity and investment banking. And so, we somewhat had transferable skills from those jobs that we can bring over into the real estate world and specifically development.

And so, we really just got started by talking with brokers. And, you know, looking. I'm looking at, just the same way everyone else does and kind of figuring out which way is up in the whole pursuit for that first deal. And so, made a few good broker relationships and ended up leveraging one of those to put us in touch with some guys that were looking for some financing on a project in the open house market.

And so, this inevitably ended up being the building that I mentioned before we got started which is a 48-unit 50,000 square foot ground up development in downtown Auburn Hills. So, for anyone familiar with the Metro Detroit area, it's at the corner of Auburn and squirrel road in downtown Auburn Hills. So, this project, you know, we can sidestep some of the details for the time being and keep it brief but it's been everything that we could have hoped for in the first project, and it's concluding in a way that makes us proud. And, we're pleased with what we've been able to accomplish with this project so it's really kind of set us up to really scale, in terms of the size of the projects and the quantity of projects that we're doing as a result of this first one. And we find it significantly easier to interface with new financing resources or new lenders or new consultants, because of the track record we've shown with just this one project.

So, I think that's been really helpful to us and that's where we sit now in this sort of dangerous position. Dangerous in a good way, in my mind, where we have you know three projects that could hit tomorrow, and be sort of ground running and financing stages, moving toward PD approval. And that's an exciting place for us because that's, you know, a lot more than we've tolerated today. And I'm looking forward to what that would mean in terms of bringing on help and insulating us with even more people around us to help get these projects done.

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WS: Congratulations. It's going to push you to grow in ways you've not imagined yet, to say the least and already have I'm sure. I mean doing a 48-unit, ground up and so that's even, I mean, that's not a small project and most would say, What in the world are you thinking starting with a project like that, you know, so give us a little more detail though just on how you had the confidence to move forward on developing a project like that right out of the gate?

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MW: Of course, yeah, so I tell everyone that the most important component of doing what we did was finding the right people to put in place as your consultants as your team. So that's the architect, that's the construction manager, that's civil engineer, even structural engineer, MEP engineer, projects, property management company, you know insurance brokers. It's really isolating yourself with all the people that already understand how it works and what you're supposed to do and look for people like you to be their clients. And so, we were able to gain a ton of knowledge just by leveraging the experience that our team already had all around us so that was most helpful in the beginning.

As far as the confidence I have always been pretty confident person, and I've always known entrepreneurship was the direction for me so this just felt natural, and you know I've been used to running businesses and and you know having employees as early as, like 16, years old, actually add have my firstborn was 15 because I remember because I needed them have a driver's license so that they could pick me up, because I didn't have my license yet. So I've been in that role before, and have experienced there and that's been helpful. And I got a very loving and supportive family around me and they're there to varying degrees involved in the business to our team.

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WS: That's definitely very helpful to have the, you know, supportive family or just that unit right you know at home or wherever, that's close to you that's supportive. But, you know it's interesting, they'll say I don't know how long ago you started that project, but I know there's some listeners that are thinking there wait a minute you know at 25, you're probably 23 or four at the time you know we started this project, how do you get people to take you serious? You named off all these architects right and I know the listeners are thinking there Wait a minute, what, what was that list of architects how many of those people that need to, you know, reach out to you know at that age, how do you get them to take you seriously for, you know, you've not done this before, you know they're thinking now wait a minute, who's this Michael guy? you know, is he really going to do this, do I give him much of my time? How did you handle that?

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MW: I think some of it was leveraging some existing relationships. So in the case of our construction manager for example, we have the connection to someone that was involved with that company, and so we had a good character reference there and we had worked with this contact before on previous real estate related stuff. And so that was a good segue in with them, and I think just like the sheer size of the project, and the fact that we were able to finance a project like that to in a consultant size gave them the confidence that they needed because ultimately to the, to the consultants like if the project is feasible, and his findings, like they're getting a job.

So, like that's really what they're looking for, someone that can bring the capital and, you know, reasonable with reasonable success pull off a project like this. And I think that they just saw that capability in us and certainly we had the financing backing haven't touched on yet but I certainly

can. And those to come. The combination of those two things I think going to consultant sighs help to take us seriously but I mean there's certainly moments with the lender early on, or with municipal people early on, whether it be the city council or any of the various staff members were having zero experience and never having talked to anyone at a city about any project before was very challenging, so I don't mean to paint that it was roses and daisies the whole time, it was. It's the hardest thing I've ever done in life without a question. But we were resilient and strategic and moved quickly and executed what we needed to and found success in that.

[END OF INTERVIEW]

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[OUTRO]

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