

EPISODE 1103**[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. Today our guest is Anthony Vicino. Anthony is a best-selling author, real estate investor and serial entrepreneur, committed to helping people maximize their return on life. He is the co-founding partner of Invictus Capital, a multifamily acquisition firm based in Minneapolis, Minnesota, with \$15 million in assets under management that provides busy working professionals with the opportunity to invest better. He's the host of Multifamily Investing Made Simple podcast and author of Passive Investing Made Simple. Anthony firmly believes investing shouldn't be complicated and overwhelming.

But Anthony lays out this in his book, and we talk about some different aspects of people in the business, people that need real estate in their portfolio and want it, and they don't really get fired up about real estate, they're not dreading them about it. But also those who are trying to grow a real estate business and need to know how to talk to that individual.

And so, it's an interesting dynamic of that book that's gonna help both types of people, but from the operators that you need to know the deals to market at different aspects that wouldn't matter which part of that, a piece you are in, you need to know many details about. So, I know you're gonna enjoy the show today.

[INTERVIEW]**0:01:37.8**

WS: Anthony, welcome to the show. It's interesting, you and I were just talking about when you were on the show, I think it was July of last year, and we talked about scaling your business for systems actually. But we were also talking about, before we got started here, just the dynamic of the time period we were in at the end versus now in post-pandemic. We wanna think

anyway, what has happened in our businesses and what not. But, it's great to catch up with you.

Give an update with the listeners today a little bit more about what's happening in your multifamily business, and let's dive into some specific ways you're gonna add value to them today.

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Anthony Vicino: Absolutely. So yeah, it's been a busy year, like when we last talked, it was July of 2020, so things are very uncertain at that point. And we talked about building systems that scale. And that actually for us, I would say there was a nine-month period in 2020, where we didn't do any transactions, we just focused on building those systems and waiting for the deals to show up, but they just weren't materializing. And it was a good thing because it's always better to build the systems before you need them, because then they're ready to go once you do need them, and we've been needing them in the last, I would say 10 months in particular. We've acquired just over \$15 million in real estate. It's been busy in those systems that we were building back last year. I've been just super helpful for making a nice streamline process.

So, that's been great for us on that end, but then also during 2020, we didn't know how long it was gonna take to find the next deals before the market would start to provide some opportunities 'cause we didn't wanna force it. We kinda changed our investment strategy a little bit last year and went towards a more of a conservative approach in terms of finding assets that were already well stabilized and performing from day one, and so that they wouldn't require a huge deployment of capital.

But then because we're going more cautious and conservative, it raised the barrier for what would pass the threshold for a potential deal, so we found ourselves just sitting on our hands for a lot of the years building those systems, but in the meantime, we wrote a book. And the book came out last month, and so that was fun. And it was a good use of quarantine, I think.

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WS: That's a great use of that time, no doubt about it. And, I want us to get into the book and some of the highlights of the book. Before we do though, you talked about "better to build the systems from where you need them." No doubt about it, man, I spent some time building some good systems, that's the way you're gonna scale as well, and your team's gonna be able to do things.

But, what systems have stood out to you now that you've been putting them in place to say, "You know what, I'm so glad we did those two systems or whatever... One or three things."

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AV: So, the thing that's unique about us is that we are vertically integrated. So, we have a property management in-house. And one of the important things for us was building out the systems for what aspects we were handling in those jobs that weren't gonna scale like leasing or maintenance requests and all that. And so, building out the SOPs for that before we had people in place to hand them over to was incredibly valuable, because in the last four months, we've hired nine new employees and brought them on seamlessly, because the systems and the processes are already clearly articulated and identified we can just hand that over to the person. They now have a playbook for how to win it at their job every day. And they're up and running.

And so, it's like you always hear that analogy of entrepreneurship is a bit like jumping off of a cliff and then building the airplane on the way down. And, when it comes to systems and hiring, there's only ever two times to do it, you either do it too soon or you do it too late. And for me, we built the airplane as we were standing on the edge of the cliff, which was great because then we could take off rather than waiting until we had actually jumped off the cliff to start building.

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WS: Yeah. Oftentimes it seems like we're building their plan as we're trying to fly, right.

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AV: Yeah, exactly.

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WS: That's awesome. But that's a great example. You're hiring somebody, and how do they know what to do? But, I wanna jump into the book. I know it is obviously focused around passive investing, but what are some of the things out of the book that we're gonna learn from reading this book?

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AV: Yeah, so the book is called Passive Investing Made Simple, and it's really targeted towards two people, two types of people, who are completely different people. One is people that want to passively invest in commercial real estate, but they have no interest, they don't dream about real estate at night, it doesn't keep them up, they're not fascinated with it like probably a lot of people listening to this podcast are, we dream about it. We're always excited about it, but most people aren't, they just want it, they wanna have exposure to this investment vehicle 'cause it's powerful. But it's also daunting and overwhelming and scary, and a lot of the conversations that you'll have with first time investors is just getting them comfortable with what commercial

real estate is, how syndication works. And so, the book is really geared towards those people, helping them build up their comfort level so that they're ready to get involved in this vehicle.

The other group is people just like us, people who are talking to passive investors and friends and family, maybe if you're a first time capital raiser. Well, it's really hard to explain what's CAPEX, what's a syndication to somebody who has no concept for these things. And so what we tried to do with this book was build something that would serve the passive investor, but also serve the potential active investor who wants frameworks and stories and ways to help frame the conversation when they're talking to potential investors.

And so, what we talk about in the book, really, there's three aspects of every deal that you gotta be aware of. You have your operator, you have the deal itself, and you have the market. And the problem is that most people, they spend all their time focused on the deal, and they're overlooking the market and they're overlooking the operator. And so, we try to structure this in a way where we're focused on the most important thing first, which is the operators to people who are running the deal. And then we're gonna talk about the market, and then we're gonna talk about the deal last, because people always like to jump to the returns, they like to see the pro forma and the deal numbers. But the way I look at it is that numbers don't lie, but I can make them say whatever I want them to say. So if you can't trust me, you can't trust my numbers, so that's where we start.

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WS: So true, very well said. I tell people, me and the operator's character is like the first thing I wanna get to know. Is this person, right? 'Cause those are the things, the deal, no matter how great it looks, it's just irrelevant if you're working with somebody that's dishonest or somebody that you don't wanna work with long term.

Alright, so it's such an interesting take on people that don't dream of real estate, but also people who maybe are operators and are trying to talk to those people, 'cause there's definitely an education that has to happen in some form or another, both rams there, both of those types of people. So, the people that do not dream about real estate, what are some things they need to know though? And oftentimes, our investors understand that real estate is such a powerful vehicle, they need it in their portfolio to accomplish the things they're looking to accomplish financially. However, they do not want to go find a piece of real estate themselves, or manage it or do any of those things, they just, "Whitney, go take that, right. Or Anthony just... Yeah, I just trust you. Now, I just want you to go do it." Right?

And so, that's often those people, but what do they need to know? What is the book share with them about that?

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AV: So, step one is you have to understand your investment parameters and your investment goals. You don't even wanna put a foot onto the path until you know where it is you're trying to go. And this mistake a lot of people make is maybe they just jump right in, they're like they see some of my content, they see your content, they see Grant Cardone content, and they're like, "Oh, I like them, cool, I wanna hop in with them." Without really understanding what it is that you are as the investor, what's your risk tolerance, what's your risk appetite? What kind of returns are you looking for and on what kind of timeline? Understanding that is going to dictate a lot of how you move forward in this business, because once you have that figured out, you might come to realize like, "Oh, I love Anthony and Whitney, but they're not doing thing that's going to get me to where I wanna go," and that's okay. We might be focused on a particular aspect of value add, let's say that has bigger returns, but you're looking for capital preservation at all costs, maybe you're close to retirement and you can't afford to lose any money.

And so, you wanna go to something and hedge completely safely. Or maybe you're really, really young and you're like, I wanna roll the guys to get my capital a snowball going, Well, maybe our returns aren't gonna be juicy enough, and you wanna take a little bit more risk. So step one, before you can even know, you can't just show up at the dance and just start dancing with random people, you gotta kind of know like, What do I look for in a partner? What would make me happy? Somebody who shares my values, okay, what are my values? There's a question that a lot of people, they think through in terms of when it comes to businesses, what are my businesses core values, but they don't necessarily think about their personal core values and then trying to work to find a match made in heaven with a potential operator that way.

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WS: It makes complete sense. Like you said, you need to know where you're going. Before you take the first step, right? Where are you trying to go? Where do you want to go? And most people, I don't think I've really thought through that, it's like, "Oh well, we gotta have some kind of real estate in our portfolios, could try this thing." But they haven't really thought, well, five years from now, or what am I trying to accomplish? Or even two years from now, so what else that person needs to know though, they're figuring out the path that they're trying to go down, what is our risk tolerance, what is their timelines? Or where do you see most people kinda make mistakes there that just like the people that we've been talking about, they wanna get into real estate, they need it in the portfolio. But they don't really wanna spend much time on it outside of not knowing the operator maybe. What's the mistakes that they make?

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AV: I think the really big mistake is jumping in just a little bit too soon for fear of missing out. We've had a lot of conversations in the last year and a half with investors. And it's interesting

because the conversation is very different than it was maybe two years ago, when everybody was like, "Oh, we're at the peak. Or the peak of the market. It's gonna start going down." And the types of conversations investors were having at that point, we're very different than what we're seeing in the last year and a half, is in the last year, people were thinking, "Oh no, I didn't take advantage of the financial crisis last time in 2008, I don't wanna miss it again."

And so, with a little bit more anxiety and a lot of capital trying to find a home in the last year, and so people just kind of rushing into deals and not doing enough due diligence on the operators. We've heard that phrase, people do business with people they know, like, and trust.

Well, that's not the entire picture, I know my brother, I like my brother, I trust my brother, but I would not give him my money to go invest it for me, so there's these other aspects of this that we still need to do due diligence on, which is what's their track record, what's their experience, who is a team around them that's facilitating these deals? Because I'm not saying don't do deals with new operators that don't have that track record, but the success doesn't happen in a vacuum.

And the people that I like to invest with, the, regardless of what they do in their life, they're successful because they have the underlying traits of a successful person, which is their discipline, they do their due diligence, they're hard working, they have integrity, those traits transfer. And the way that I think about this is, you could give a great operator lemons, and they're gonna make you a delicious glass of lemonade. And you could give a glass of lemonade to a terrible operator and they're just gonna spill it on the ground and then you're gonna have ants.

And, that's how I think about the dichotomy between the deal and the operator themselves, and so you really wanna spend a little bit extra time doing that background check on the operator, are they who they say they are? Even if they have a big social media presence, you still need to be very, very careful because it's very easy for me to say I've done this thing, very much harder for you to verify that. And to talk to other investors or talk to professional contacts that we've worked with, you can get a full picture of things like, "Alright, who are these guys?"

Because at the end of the day, I recognize that we're dealing with large sums of money here. And not just talking about like what, we're raising \$2 million of capital to take down a \$5 million building. But if you're an investor who's putting \$500,000 of your own money into a deal that probably took you a long time to earn, and that dollar, that's a unit of your own personal life that you transacted for it, that you're not gonna get back. So, you wanna be really diligent with that dollar and not just the road at the deal because you're so afraid of missing out and you're like, "Oh, I gotta get into something and these guys seem nice enough, so let's just give him the money."

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WS: So good. Yeah, fear of missing out. And when a pandemic, something like that happens, like I said, it seems like that's heightened in a big way, but it's like, "Oh my goodness, here is the time I cannot miss out," but again, they must know their operator, the deal, the market.

Well, let's move on to the people who are talking to those investors out of the book, like helping those people, 'cause that is often a place where newer operators, or at least when you're first getting started, you're so nervous about that first investor conversation. Well, what questions are they gonna ask me? I have no idea what to say, or maybe I don't understand how to speak to them?

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AV: So, in that instance, if you're talking to somebody who has no prior experience with commercial real estate, maybe you're talking to your mom or your dad, or you're a sibling or a loved one who you're like, "Oh, I think this would be a good investment vehicle for you," but they have never thought about it before. You're gonna have the tendency to try to drown them with value and information. And you have to understand that you cannot drink from a fire hose, you're just going to hurt them. Overcome them, and they're gonna be like, "No, no, no, I don't want water. Thank you." But now, so you have to have the water fountain mentality, like if you've ever gone up to the water fountain in the school, like when you were little and you pushed it and it came out more forcefully than you expected and squirt you in the face, if you go back to that water fountain pretty tentative the second time, and I don't know if I can trust this thing, now you're not so dumb.

And so you gotta get the right amount of flow of information at the right speed for where they're at. And so this takes a lot of listening, and it takes a lot of patience and recognizing that for us, the time period it takes for an investor between when they first hear my voice or Dan's voice or read a piece of our content, until they've finally invest with us, it's about a year, maybe even a year and a half.

So, it's a long runway, and we're not trying to just smash all the information up front. What we're trying to do in those initial conversations is lay the groundwork for what this thing is that we do. And we use the Jumbo Jet investing analogy, which is just a simple way of explaining syndication, and then we explain what are those very few number of levers that a passive investor needs to be aware of when they're looking at a deal or a market.

And so from the top, the jumbo jet analogy, if you haven't heard it before, it's just a jumble is a pretty cool system, if you think about it, if I wanna, right now, fly to Paris, I could pull up in my phone, I could buy a plane ticket, and within a couple of hours I could be on a plane flying to

Paris and I don't have to buy the plane, I don't have to get my pilot's license, I don't have to fly me over there, I just pay for a ticket, I get on the plane. And then all these trained professionals around me, the pilot, the ground control of the flight attendants, they do everything and I just sit in the back and I enjoy the flight to get to my destination.

And that's really the simplest way to explain, I found the concept of the syndication, which is you have two different types of people, you have the passengers, and you have all the other people doing all the work. And in exchange for just a little bit of money or your investment into that flight, you get to participate in the journey from Point A to Point B without having to do anything. And you get to rely on the pilot and the flight attend, all their skills and expertise to get you there, and so once we've kinda painted that really broad picture for people, they go, "Oh, this makes sense to me," okay, so we're doing the same thing with a building, I'm gonna pay into it, you guys are gonna do all of the work, take care of it. That's something I can understand.

But now what do I need to be on the lookout for? Because there are some things you don't wanna just get on anybody's old plane, it's pretty hard to go up to the airport and get on to a bad point these days. But you can imagine in a world where it's not so tightly regulated in private placements, they can fly into the radar and you could be getting into a deal with whoever, you wanna have some ways of actually verifying the numbers that they're looking at. And so, understanding what are those very few number of levers, 'cause there's always 20% of inputs that account for 80% of the outputs, what are those 20% of levers and metrics that investors need to know so that they can make sure the deal's good and worth doing.

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WS: I like that analogy a lot. That makes a lot of sense. I think that helps simplify just the thought of how that works for the investor, for the operation side as well, when you're trying to explain that to an investor or maybe somebody for the first time speaking to that new investor and it's trying to get started in this business, I like that analogy a lot.

One or two other quick tips for somebody that's getting started as an operator, having those calls, talking to investors, how to explain things, simply things that they need to be prepared to explain, anything around that before we move to a few final questions.

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AV: Yeah, I would say keep a higher level than you think that it needs to go. You lose people when you get into the weeds and you get too detail-oriented too soon. And so talk around value systems, talk around past experience. And not just positive experiences, people connect with people with vulnerability. And so don't feel like you have to just put on this facade of being the expert who knows every single answer, it's okay to say, "You know, I don't know the

answer, but I'm gonna go find out and I'll report back to you," it's okay to say that. And it's okay to share stories about times when things didn't go well, I think that's really what connects us to one another makes us go, "Oh, I see that person, they're human, I don't expect them to be perfect, it's good to know that they have the self-awareness enough to admit that and they feel the confidence that they don't need to just to front"

And, I think that's a mistake a lot of new active investors make is trying to over-project their abilities or competence. their experience levels. And then one other thing I'll point out, I mentioned the operator is number one, the market is number two, and the deal is number three. Don't overlook that market aspect and talk about what exactly that means, because the way I look at it is the operator is like Michael Jordan in 1996 and 1997, went to Chicago Bulls. That's a great team. You wanna bet on that team. And the deal is they got their nice Nikes and they got good equipment. But if the market was, they're playing in the middle of the Sahara Desert. I don't know if I like the chances or if they're playing in outer space, I don't know if I like the chances.

And so the market, it really matters a lot, like helping people understand why you're investing in the market that you're investing in, and having a really good explanation for macroeconomic outlook or geo-political relations between tenants and landlords will say having a good thesis for that, really helps I think investors go, "Okay, I'm confident in you, I'm confident in the market, and now inevitably whatever deal you bring me, once I'm confident in those two things, as long as it's in that market and it's with you, chances are, it's going to be a good deal."

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WS: I like that, think through why I like that market? Why do you like that deal?'Cause you're gonna be asked, investors are gonna ask. But oftentimes, I think, yeah, people haven't thought that through, they haven't maybe written it out so it makes sense, so they can't explain it in a big way.

But changing directions a little bit. Anthony, you being an operator, being in this space for a while, I always like to ask how you're prepared for a potential downturn, what you like to see, what that means to you, and maybe any predictions or thoughts you have, for the next six to 12 months?

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AV: So, my crystal ball is unfortunately in the shop right now, it's not working so well, so I won't be able to give too many probably helpful predictions about what the next six months to a year or any period of time will look like, but what we're doing... And we made a conscious shift in 2020 because before that we were doing a heavy value add, so we were going and deploying a lot of CAPEX to do heavy value-add renovations. And we put a pause on that because we

didn't want to be in a position where we were still having to deploy a lot of capital with a lot of questionable supply chain issues and a lot of eviction moratorium questions about whether or not we could actually get in there and do the work.

And so what we've been doing is taking a cautious back in terms of the amount of liquidity we hold, we always like to raise all of our CAPEX at the front end, so we come into every deal, we very, very well capitalized, but we're leaning towards even being even a little bit better capitalized. Yes, the money sitting dead in the bank and inflation is just eating away at that, but it's better to have that and not need it, especially in an environment where you just don't know what's gonna be happening. Because, at the end of the day, the people who lost money in 2007, 2008 were the ones that didn't have the liquidity to hold on to make the payments, to hold on to the assets, 'cause if they could have the nose asset prices would have come back everything would have rebounded. They had been fine.

And so for us, we look at it, there's a quote, I think Darwin is falsely attributed with having said, "It's not the strongest that survives, it's the species most able to adapt." And for us, we try to be in a position where we leave as many options on the table and we have maximum adaptability that is disposed of all the time.

And so I think that's a helpful framework for people to think about right now is like if you're a game plan, if your business plan is predicated on doing a refinance in month nine, because you're gonna go in there and deploy all this capital in the first four months in the first quarter and do all these renovations and repainting, that doesn't give you a lot of adaptability. That game plan, if it only works because you execute it at that timeline and then something goes wrong, like you found yourself in a tough position. So lean towards giving yourself more optionality. That's never a bad thing, especially in a murky market.

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WS: Sure. What about your best source for meeting new investors right now?

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AV: I think number one is always referrals actually. And that's hard if you're new, you can not have any referrals if you're doing your first capital raise, but once you have investors, the best conversations to have is, "Hey, what are we doing well, what could we do better? Do you have anybody that you think would benefit from what we're doing? Would you mind making an introduction?" I always go for the referral, never go for the sale, if you do that, you're always gonna be okay. And so that's number one.

Social media, it's amazing, everybody's on the internet at this point, and so it's not even social media anymore, it's just the Internet, but that's all it is, and so recognize that every investor you

could ever want is already within your keyboards grasp, you just have to figure out how to get in front of them. Maybe that's a podcast, maybe that's LinkedIn and posting content regularly. For us, it's about education, we like to lead with education, so we put out a ton of content that's all around educating, and that's done well to bring people into our sphere, who are they like what we're doing they wanna learn more, and then we foster a relationship that eventually hopefully leads to a mutually beneficial relationship.

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WS: What about daily habits that you have that have helped you achieve success?

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AV: I have this habit called Three to Free, which is really, really powerful, and everybody has a good morning routine. I'm all about morning routines, but right after the morning routine... My question is, what do you do? So after you're done meditating, you're done with your study or you're done with your exercise and all the stuff that's about recharging yourself and your soul and your mind, your body, then what do you do?

Well, a lot of people, they just go into work, but what are you working on? That's the question for me. I do this thing called Three to Free, where it's pretty much from 8:00 AM until whenever those tasks get done, it's usually around 11, which is to say what are the three most important tasks that if I was to get done day and I do nothing else, for the rest of the day, I could look back on the day and say "That was a win." And some days those tasks are really quick and easy things, some days they're very big like, write this book on this podcast, do this thing.

But once you get into that habit of prioritizing the most important thing and doing it first in the day so that you can, everything else after that is just gravy. I think you'll find... You'll get a lot more attraction.

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WS: I like that. Yeah, I guess simplify as something that could seem very burdensome, so it seems more accomplish-able. What's the number one thing that's contributed to your success?

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AV: Probably the last time in the show, I probably said hyper-focus and the ability to maintain consistent output towards a goal. But I'm gonna switch this and say, luck. I think I've been really lucky, but I think luck when preparation meets opportunity, and 50% of that equation is within my control, and so I've been focused on just preparing for decades and building skill sets that then allow us to take advantage of opportunities, but at the end of the day, there is a

little bit of serendipity, and I was fortunate enough to be born a human and not a tree, so I think a lot of lucky.

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WS: How do you like to give back?

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AV: These days, I really like educating, I like sharing things that have helped me with my own personal struggle, I have really severe ADHD, and this was a problem, but what has been probably my entire life, but it was very much a problem in my early years all the way up until I was like 30, just feeling distracted and lost all the time and feeling undisciplined and unreliable. And so I really like helping by sharing my story and some of the things that have helped me turn that ADHD, the weakness into a strength. And I think a lot of people would rather they have ADHD or they just struggle with distraction and focus. I think we're in the same camp together, and so that's been really, really gratifying to get back in that way.

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WS: Awesome. Well, Anthony, I appreciate you giving back to us today and being transparent about that as well, and also just those who know they need real estate, but no, they're not dreaming about it as well. But also those who are trying to grow a business and maybe are nervous about talking to those people about why they need real estate. Just a credible book or sounds like it. And I've not read it yet, but it sounds like it.

Tell the listeners on how they can get in touch with you and learn where they can get the book?

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AV: So the book is available pretty much everywhere books are sold, you can go to the passive investing book dot com, and that's probably gonna be the easiest way. Otherwise, just go to Amazon and type in Passive Investing Made Simple, and it'll pop up.

And if you're interested in learning more about what I do or what we do at Invictus Capital, then you can go to Invictus multifamily dot com, and right now we have a 65-point passive investing checklist. So a 65-point questionnaire that you should go through with a prospective operator, if you're an investor, or if you're an active investor, go get that sheet and download it and learn some of the questions that passive investors are likely to be asking you. So you can go sign up and get that for free or Invictus multifamily dot com.

[END OF INTERVIEW]

[OUTRO]

0:27:42.0 ANNOUNCER: Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.LifeBridgeCapital.com for free material and videos to further your success.

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