

**EPISODE 1117**

[INTRODUCTION]

**0:00:00.0 ANNOUNCER** Welcome to the Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

**00:00:24.000**

**Whitney Sewell:** This is your daily real estate syndication show. I'm your host, Whitney Sewell. Today our guest is Mike Stohler.

He's a co-founder of Gateway Private Equity Group, which is a hotel real estate investment firm. With the multifamily market shifted in 2016, Mike pivoted into hotel investments for high returns and better value-add opportunities. As a result of the global pandemic, hotels are currently considered unloved assets, which Mike believes is exactly why now is the right time to look at hotels as an investment opportunity.

Mike, too many people on the show who are focused on a hotel. So, I like shows like this were talking to syndicators, to operators who are getting big deals. But maybe in a different asset class that you are not as familiar with so, I like exposing you to those things. And, he does that today. He goes to hotels versus multifamily, and some things that he likes about hotels, he still likes multifamily as well – he's done multifamily also – but his focus right now is hotels and he goes through numerous reasons why: Why he likes hotels right now over multifamily. Even things that he learned through COVID, things the pandemic has taught him about how to buy hotels, that's interesting, and how he's moving forward in that as well. So, at note today, you're going to learn a lot.

Mike, welcome to the show. A pleasure to meet you. Personally, I can't believe we've not met before now, actually, but a pleasure to meet you. Now it's interesting just a few moments that

we've had before we started recording, to learn a little bit about what you're up to and looking forward to this but, share a little bit of that, with the listeners share a little bit about your focus right now, your real estate business, maybe some things you're working on, and we'll dive in.

[INTERVIEW]

**00:02:04.000**

**Michael Stohler:** Sure. Thank you, Whitney. I transitioned from multifamily to hotels 'bout four or five years ago just because of the cap rates. I didn't like the cap rates in multifamily and, hotels are still there 9, 10, 10+ cap rates so we're focusing on those. And wow, you know, I bought my last hotel on November 19 right before what hit, so it's been a lesson. Many, many lessons that I've learned on running hotels and keeping them open during COCID. But I still strongly believe in hotels, and we're still going to invest in hotels, we're getting ready to open up a fund. And the reason why we're doing a fund instead of syndication is those hotels are not going to make it because of COVID, and most of those, it's because they had maybe the CMBS loans, which is a market-based loan and they could not get any of the help so the owners, they could be very, very good hotels, but because the lenders not wanting to work with them they're not able to survive, and those are going on auctions, are going to be turned over to the company so, you need an open fund, you need that money to be able to pounce on those opportunities. And that's why we're doing it open fund instead of regular syndication.

**00:03:24.000**

**WS:** Yeah, now I can relate to that. We launched a fund as well, definitely gives you a lot of buying power, right? When that seller or whoever knows that you got that balance sheet there, you're a different player at that point in the race But I want you to speak to, and I'm sure you get this question often and you said it, not many people have many hotel experts right on their show that are syndicating hotels and so, I want you to speak to that some to the listeners, just the current market of hotels and maybe speak to some differences that may be misunderstood between multifamily and hotels, and then just the current market around hotels.

**00:03:57.000**

**MS:** Sure. The first question is one that I get a lot, is the transition from multifamily to hotels. You have people that are very strong multifamily lovers and then you have your hotel group,

and not a lot of people did both so the differences that I've learned, and the reason why I like hotels is, hotels I get to set my, I'm going to use rent, I'm going to use some multifamily lingo. I get to choose my rent every day, I get to change it, I get to position my rent depending on the market.

You know, a concert comes into town, bam! You know, I'm \$60 higher for that night. The NFL comes into town, bam! I'm \$100. Super Bowl is going to be and I'm going to be a lot higher. But then, I'm in Arizona so, during the summer I get to bring it down a little bit lower, to keep people coming in. So, I get to change it every day, but I also get my renters to change every day. So, if you have a 100 room multifamily, it's 100% full, you have six months to 12-month leases, and it doesn't change, unless you have turnover. With a 100 room hotel, I get, and let's just say for conversation it's full every day, I get new renters every day at different rates. So, the compounding of the numbers on a monthly and yearly basis is a lot, lot larger in hotels to we're grossing a lot, lot more than multifamily.

Another thing that is really, really good about when you get in hotels is, hotels are real estate and a business. Okay, so I own a small business, I own a flag hotel which means it has a franchise attached to it, I own a Marriott Hotel, that sits on real estate, so I have an appreciating landmass, and I have a business that appreciates, and I can then move and work on the expenses and the revenue. The other thing is because it's a business, I'm eligible for, during COVID this last time, it's an SBA – small business type of loan so I was able to get the PPP in order to pay for my employees, in order to keep them employed and I was also able to get the EIDL which is the disaster loan recovery in order to keep the hotels float and keep them going. So that's another thing that is really good because it is a business. So, the government sees me as a business, but I also have that real estate on top. That's a big difference.

Another thing with multifamily, if someone moves out, your expense to clean and get that rent ready again is a lot higher for you and me. You know, you're having probably repaint, clean the carpet, you're just doing a lot of things. I have experts that work eight hours a day and all they do is clean rooms, and within 15 minutes, someone moves out and boom, we can have someone else at a new rate go right in, so it's a lot more efficient with the costs. And those are the things. The biggest difference is you have to learn how to run a business instead of just multifamily which is real estate, landlord-tenant laws, and things like that. So the biggest thing

that I tell people "Don't jump into hotels because now you're running an actual business with 15 to 20 plus employees, so it is a lot more different," but those are some of the things.

On your second point with the market right now, what I found out during COVID, everyone's like "Oh my god," you know, COVID. Well, depending on where you live, the hotels were hit a little bit differently. In real estate, you need to be in a state – I'm not going to get into politics, you know, this just state, local government, things like that – you need to be in a landlord-friendly state, or with me and hotels, you need to be in a small business-friendly state.

And here in Arizona, and some of the other places, hotels were a necessity. We did not have to shut down, it was an essential business. You get into a lot of states where everything shut down, you know, there was no essential. So we got lucky and it taught me that "Okay, you know when I get into new hotels, I need to actually pay attention to this other type of segment: How friendly is that state going to be to me? You know, I'm going to be paying all these taxes to them but do they actually care about me?" So that is a big thing that I've learned during COVID. And, COVID did affect hotels. I mean, it was a lot worse than 2007-2008, but none of my hotels closed down and, I did learn what hotels really, really performed, and which ones did not.

**00:08:54.000**

**WS:** Would you elaborate on that? Like some things, you learn there. You were talking about it before we started recording and it was such a great point, it's like when bad things happen you can stress out, or it can be an opportunity to learn, right, and become better. I just appreciate that.

You mentioned like military experience, and there's a reason to stress out about it, let's figure out a way to make it happen, right, and get through this, and sounds like that's what you did, Mike. But speak to that a little bit. What happened? Things that you learned just through COVID, maybe what you would do differently now in buying hotels versus what you would have done two years ago.

**00:09:26.000**

**MS:** Yeah, great question. What I learned during COVID is, the hotels that I thought were pretty

cool that would have done really, really well are the ones in business parks, you know, I have a fancy Radisson right into a business park where, you know, the Tech Park. Well, which one did the worst during COVID? It was that one because there was no business travel and it relied on business people. The ones that did fantastic are my limited service, which means free breakfast, free Wi-Fi, you know, you know, it's basically the limited-service right off the highway outside of a major metro area, because during COVID no one wanted to stay in the big city, and because nobody was air traveling, they're still traveling but they were going via the highway system, you know, via RVs, via the cars.

So I learned that the ones right often exit and major highway but outside of a major metro, you know in a small town outside. And the ones that had truck driver parking, you know, this is the Blue Color, the Blue Color Limited Service Hotels, the ones that I wasn't even thinking of. I'm thinking "Man, I'm with these big fancy duh, duh," bars and restaurants and all this stuff, no. Free breakfast, free Wi-Fi, Class B hotel that is just a simple one because you know, and also what I learned is, what did not stop during COVID? What was the most essential was the truck drivers, the emergency crews, and they were always traveling and if I could sit there and say Okay, I need to move to where... before I didn't really go after that type of commercial business, man I went head-on and make sure that every single one of those truck drivers stayed at that hotel, and that hotel is actually going to probably exceed 2019 numbers this year.

**00:11:18.000**

**WS:** Wow.

**00:11:19.000**

**MS:** And it's fantastic. So that's what I'd learned, and going on is it's like going after. Do you eventually want to get that A-Class multifamily? Yeah if you want half percent cap rate, you know, things like that but man, those Bs, B-minuses, you know, the C-pluses all day long, we call those the lunch, pail Joe-type of living quarters, and they don't ask for much, just clean and it's at a price point that they love. Those are the ones that we're going to focus on. Extended stated also very, very well so we'll look at extended stay because when people are caring for people, loved one was in the hospital and family needed extended stay or for the nurses and the doctors that couldn't go home because they're on the front line, they stated

extended stay in hotels.

**00:12:07.000**

**WS:** Do you think that that's changed your focus or maybe narrow your focus to those specific hotels you're talking about now are those demographic or location, that type of service? So moving forward, like you're going to be very focused on those types of brands and hotels?

**00:12:22.000**

**MS:** It is, because in the past, what we do when we look at hotels, it's different for multifamilies, we look at drivers, what is driving someone to your hotel, okay. In the past, you say "Hey, you know I want a hotel and a ski resort. I want a hotel next to a university." Well, what if no one's skiing and no one's going to college? Okay, now you're shut down. So, something else that I learned is you need multiple drivers. If you're close to the university that's great, but how close are you to the highway, closer to a hospital? What other reasons are people going to come and visit your hotel in that city?

So what we did is we found out that going forward, there have to be three or more drivers and it's kind of like diversifying in the stock market, right you know, in case your stocks go down you have your real estate then you have your mutual funds, you have different drivers, different diversification, and we want that in the hotels now so that if another pandemic, it's okay. I still have truck driver parking. But if there is no pandemic, wow okay, I have truck driver parking pluses close to the university. Plus it's close to maybe a concert place. So there are multiple reasons for people to come in and that's what's important now. You don't want that to be that lone hotel and a ski resort, and that's your only reason.

**00:13:42.000**

**WS:** Makes so much sense, ski resort being your only source of people coming to stay, that makes so much sense. What about, you spoke to and I agree with this as well, you talking about being in a friendly state, landlord-friendly, or business-friendly, how do you figure that out? How do you judge that or what information do you look at? Just the listener can better understand when they're thinking about different locations, what do you find? What do you look for?

**00:14:05.000**

**MS:** Yeah. Number one, everyone just throws out on newscasts, wrote all media, you know, social media, you can't get the truth, you know, on any side. But when you look at states when you look at governors, it's all public record, everyone knows and ever we can see that certain states, completely shut down. And what's so great in the hotel space is I have different groups that are really big. A hole, HLA there's different lobbying, different groups that are very big, and they come out with reports. Southwest, southeast, all different regions, and that I can go in and say look at California, look at Oregon, look at Georgia, look at Texas and who's doing what, and I can go through.

And we also have what's called the star report, which are reports that I can sit there and look at all the comp sets in any states, any level, in any type of hotel and look at how they did and then the percentages of who shut down. If I go to regions like, "Wow, there wasn't a single hotel in three months," and then I go into the public record and I look at the governor and find out. Did they actually have a statement that said everyone shuts down? So those are the ways that we can look, and you know, it's not that hard to see, and even ones that are wanting to shut down, again and every indication are that COVID is starting to wane, you know, there's this two-month period that COVID keeps jumping around but now, it's starting to go down again but there are some cities that are wanting to still lock down and... you can see it, you know, it's kind of obvious which ones did that and it's a certain, certain areas, certain, certain ones. And the ones that are harder, sometime in the Midwest, you can get maybe a little lot information, but you can go into the public reports and find out, and the different reports that I can get in the hotels to see what the governors did and what they did vote on as far as the state.

**00:16:00.000**

**WS:** I think that's an interesting point like you can look back, right, you can see what happened during that time and think about how the businesses were affected during the pandemic and that's going to share a lot with you about how things would move forward, right, during something like that.

Well, knowing what you know now, Mike, about hotels, and you are multifamily, you got a lot of experience, you know, in real estate and syndicating you, what would you have done differently if you had to start back over in real estate or commercial real estate? Would you have gone

directly to hotels? What are your thoughts about just knowing what you know now? How you would have done differently?

**00:16:32.000**

**MS:** Yeah, it's an interesting question. One of the things that I hate doing is, looking back on my life and knowing how much more money I would have made, you know, if I hadn't had done something or not. But, I talked about hotels, I love hotels, but I also do love multifamily. I've owned or operated over 1,300 units, and I will eventually get back into multifamily but it's just too saturated, right.

But man if I could have known, I had a large apartment complex here in Arizona and I thought I was like "Man, I'm going to make \$860,000 in 10 months on this thing" because someone just kept coming at me and finally I was like a "Man, I can't pass it up," where I could have made about two and a half million dollars if I had, had it right now. So you look back at some of the deals, and I would tell your listeners don't get too quick with flipping and trying to go for bigger, better things like that. It's...sometimes a little bit of patience. If you have a good property, maybe hold on to it. And I had the mindset of "Man, I want to sell it so I get into something bigger." Well, I could have kept it and opened the syndication or a fund and bought that bigger thing, not had both.

So, don't be afraid to use other people's money and that maybe is the biggest thing if I didn't really know in my younger years about the syndications, the fund, so I thought "Okay, well I need to keep this" selected about, you know, three years later, buy something bigger. I wish I'd gotten into syndications a lot sooner.

**00:18:06.000**

**WS:** I'm glad you said that, right, that perfect show for that statement right there. That we see gotten syndications earlier and yeah we can second guess herself all day long, right? What if we'd have done this or whatever but ultimately, yeah I have to make the best decision you can at that time and go with it right. But often, yeah, slow is fast, right?

**00:18:24.000**

**MS:** Slow is fast, absolutely. That is the perfect statement. And I would also tell your listeners



don't be scared to syndicate. If it's new...everyone's like, "I don't want to lose anyone's money," it's like well, then don't, do whatever you can to keep it going. And another thing is, I wish I hadn't gotten some really good mentors earlier. That's very, very important folks.

And if you know the way I jumped into hotels, I didn't know anything about hotels, but what I did was because I read these books, because I had a mentor, he told me that the fact that, "Hey, I can grab somebody that has 20 years experience in the hotel business, bringing on without pay," well, management fee he running the operations, but I gave him a portion of the ownership because I wanted him, his group to be accountable, so that's another way you can do this.

Even if you have the money it's like yeah, I had a couple of million dollars put down on a hotel but okay, I don't know anything about it. Get someone and say "Hey look, you run it. I'll give you 5% management fee, but I'll give you a percentage of the actual ownership" and then you can learn how to do it and have them as a mentor, and that allowed me to go and grow. So that's another way of doing it.

**00:19:43.000**

**WS:** That's a great point right there: you partner with experts, no doubt about it. Well, what about away, Mike, that you've recently improved your business that we can applaud to ours?

**00:10:53.000**

**MS:** What happened is the only way that I was able to grow and focus on, especially during COVID is the use of, and I know with your group does it too, virtual assistants. At some point, and everyone's real estate investing career you're going to sit there and say, "You know what? In order to grow, I need to delegate" and it's hard because in order to make money you need to spend money. And you need to spend money on experts, you need to concentrate on your unique ability. And for me it's finding things, it's not paying bills, it's not taking phone calls at two o'clock in the morning because something got stuck in the toilet, you know, things like that.

So I delegated those things out, and that to me was the biggest leap forward because when you use the virtual systems, it's a lot less. You're paying them half of what you're paying a U.S.

citizen but there are no withholdings, there are no taxes, there's no 1099, it just saved me a lot of money and it allowed me to do that, so that's the biggest thing that changed my life, and I think would change your listener's life is, don't think you have to hire someone that may or may not show up for work, you know, now we're running into that issue in the United States of finding people, but there are college-educated people around the world that want to work for you.

**00:21:14.000**

**WS:** Yeah, could not agree more. The listeners have heard me talk about it so many times. I'm glad you're just a great example of that, too. If you have any kind of business you need a virtual assistant at the least, right. Oh my goodness, yeah so helpful, so helpful. We have an amazing team of VAs that worked full time. I mean many, that is just so loyal.

But to get started oftentimes, as you said, you know, people say "I don't want somebody full time. I don't have that much for somebody," well, you can hire somebody two hours a week to get started. What about, Mike, your best source for meeting new investors right now?

**00:21:44.000**

**MS:** I'm a golf fanatic. So there are a couple of things, I golf and everyone's talking, right, buy him a beer "Hey, what do you do for a living?" what I do for a living, and you meet, you talk and things like that, so I've actually met several investors on the golf course. Another thing is, get out there and be involved in charities. I'm on the board of three different charities. I'm a Rotarian, you know, I'm probably the youngest Rotarian, I'm joking and as everyone thinks that people that are part of rotary are all 80 years old and things like that but, get involved in charities because there are people with money that are involved in charities and you see that wow you know in my rotary group, there's a lot of attorneys, a lot of business owners, there's just a lot of marketing people and you can use them in different things.

But I've picked up a lot of investors that way because you get to know them and they trust you, and that's probably my two biggest. I joined a country club, and not saying you guys need to do that now but when you do, now you're in the same group of people, and they're like, "Mike," you know it's like "Do you ever work? You're golfing on Tuesdays and Thursdays" and I'm like, "This is my work. I'm actually working on you right now," you know, but it opens up a

conversation and they just asked what I did for a living because they see me. I'm not old enough to retire but they see me that I'm golfing during the week, then I have to tell them I work all the freakin' time, I just get to choose when and where I work.

**00:23:10.000**

**WS:** Yeah. You joined the Country Club, you golf a lot. I'm not a golfer, sometimes I think it's unfortunate for that reason right there but it's still worked out in other ways. But what are some daily habits that you are disciplined about, Mike, that have helped you achieve this level of success?

**00:23:25.000**

**MS:** That is very, very important. One of my mentors had me do what's called a default calendar, okay. Every morning, every day, I have a calendar – I'm not saying it does not change – but I try not to have it change. Monday morning, eight o'clock, I do this. Eight-thirty, I do this. Nine o'clock I do this. It is a default calendar. And they are appointments that I set and one of those appointments is, Tuesday at eight-thirty or eight o'clock, your workout. And the same thing, this, but it's a calendar that it does not change. My working out, my doing a lot of things that are not business are still on my calendar. Okay, their appointments. Eight o'clock, I don't check emails until 10 o'clock on Mondays, or 10 o'clock on Tuesdays. I don't allow myself but then I only allow myself a half-hour, because then you just start the whole world can collapse once you go down that rabbit hole.

But, you know, that's really the biggest thing is, once you start working for yourself it's so easy. "Oh wow, I just spent two hours on Facebook, oh my god" or some other social media – be disciplined, had that default calendar. It's hard-working for yourself because you're your own boss, you don't have a boss that kicks your butt because you're slacking off, then you're going to slack off, you're not going to be successful. So, get that default to count it in, it doesn't change.

**00:24:51.000**

**WS:** Love that. These are the most important things that have to get done every day and put it on the calendar, right. It's different when you can see it, you know, that time is coming up to do something else. And it's interesting you said 30 minutes for email, I think that probably pushes

you to get through a bunch of emails really fast, so...

**00:25:06.000**

**MS:** It does. You flag them. And then what happens is I have another area of time when that calendar to deal with this hotel and deal with this hotel or I have, you know, these, and then I flagged those emails and boom, okay, quality in didn't go right into those emails and just, you know, now I have a two-hour block that I can do this and just kind of any fires, anything like that then the other hotel, and then the other stuff. But it keeps me from going insane instead of, you know, like running around. At the very beginning I was a chicken with my head cut off, you know, I was like "Oh no, I was just in," you have to have that discipline. It comes from the military, comes from being a pilot that comes from. I have to have that structure, you know, that checklist. And if you have a checklist for your life every day then you'll actually be successful because you're going to be a lot more focused on working on your business or delegating or doing things instead of just willy, nilly.

**00:26:07.000**

**WS:** Yeah, it sounds like you're almost using the calendar as a checklist, right, you put this thing on here...

**00:26:11.000**

**MS:** It is.

**00:26:12.000**

**WS:** It's good. Appreciate your elaborating on that too, and yeah that's great stuff. Time management is so important, it's always a struggle, right? I mean for almost all of us, unless you are just working on it all the time, I know I am. My assistant is always thinking about my calendar and how to better utilize my time. What about how do you like to give back?

**00:26:30.000**

**MS:** Great question. I eluded to it earlier, I'm on the board of several charities. I love, love, love giving back and I've been blessed with my life, you know, I've been married 24 years, a wonderful woman, three dogs, you know. I will never complain – you can but it doesn't do any good. I give back by...me being a veteran I'm on some military boards, you know, with some

charities. And it's very, very, very important for everyone to give back, you know, whether it's through the church, through social services, through anything, it's very important. It makes you feel good, you know, it's like "Okay you know, I want to make more money so I can give more money away." When I see people crying and seeing people that are so thankful on just even a small part of something that I did through a charity it's just...you get a lot of dust in your eyes, you're not crying, it's very loud allergies all of a sudden that happened and that's the biggest thing is, I make sure that I give back in time but also money because I'm so busy during the day that a lot of times I can't go and paint things or build things and you know, but I give them money and make sure you do.

**00:27:41.000**

**WS:** That's awesome. Well, I appreciate you sharing that, Mike and, I appreciate your time today. I mean just giving back to us and sharing, like why you love hotels, too, and why you transition to hotels and some differences between multifamily hotels and maybe listeners hadn't thought about. But even the business component, you know that maybe some people aren't aware of. I mean multifamilies of business as well but it's different. It's a very different type of business, isn't it? Different clients and things like that, like your time but they change every day. It's always a different operation for sure, but even things to COVID that you learned, I mean just sharing lots of things in the friendly-state, making sure that we're in a friendly business state as well. Just many great tips. How can the listeners learn about you and where they can find you.?

**00:28:23.000**

**MS:** My company's Gateway Private Equity Group, and that we shorten it Gateway PE. You can find us at [gatewaype.com](http://gatewaype.com). Everyone joined with LinkedIn, if you have any questions on LinkedIn, depending on my schedule, right, my calendar, I allow myself sometimes on LinkedIn. If you have any questions, like me there it's under Michael Stohler. Let me know that you listened to this podcast and I'll answer any other questions you guys have. And then I also have a podcast if you're interested in it, it's called The Richer Geek. The Richer Geek podcast because we're all geeks, and we all want to get a little Richard, right?

[END OF INTERVIEW]

[OUTRO]

**0:29:00.0 ANNOUNCER:** Thank you for listening to the Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption. Life Bridge Capital, making a difference one investor and one child at a time. Connect online at [www.LifeBridgeCapital.com](http://www.LifeBridgeCapital.com) for free material and videos to further your success.

[END]