

**EPISODE 1141****[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. We are introducing a new segment called The Real Estate Syndication Show Highlights, where we're bringing you a look back at episodes focused on a specific topic that we believe added a lot of value to you in your syndication journey.

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**[INTERVIEW 1]****00:00:49.0**

**Whitney Sewell:** Our guest is Jesse Fragale. Welcome to the show, Jesse.

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**Jesse Fragale:** Anytime.

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**WS:** You mentioned earlier that you are looking for apartments in the US now, is that right?

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**JF:** Yeah, so I mean ultimately we love the Canadian markets that we've been able to participate in. It's just that at the end of the day it is just very tough to do deals especially if you are going to want to move into syndication. You know like we said before, you want to pref return even if that means improving a pref to when you sell it. In Canada even our markets that are pretty a little bit looser than Toronto, Vancouver, Montreal is okay.

But anyways, we look at – we kind of identified a few places in the States that we'd at least like to take a look at. I think Memphis, Charleston, Savannah, you know we would make a trip out of

it. So we would probably just fly down and grab a car and just check out some of the local markets. Like we talked about, one of the benefits of being an agent is you just call any of the brokers in the local markets down there and say, “Hey, we got a Tuesday” if you don’t want to make any money for a Tuesday.

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**WS:** Well at least buy a lunch, right?

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**JF:** Yeah, if you want. 100% we’ll buy you lunch.

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**WS:** So how does that change? Can you complete a syndication in the States even though you are not a US resident or would you have an LLC in the States or do you know how would that be structured at all?

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**JF:** Yeah, so basically what we did is we talked to – there is a lot of companies in the States as well that deal with cross-border investing and the long story without getting too into the weeds on it is that 100% it can be done. I don’t believe that it is a Canadian that creates an LLC and there’s the tax, I think there is certainly a way to get around the withholding tax when you are investing in real estate but as you said, I think for us the most logical way to do it would be to step up to that.

And buy say a 20 unit, 30 unit in an American market, have own that and have my partner and I manage it with third party management and then kind of layer on the complexity because like we were talking about before, once you are dealing with individual returns, limited partners definitely starts changing the structure and I had a few friends that their GP was Canadian in the States and it was something that they said they’d do again but they really want to make sure that they did it properly.

Because I think it’s easier as it seems obvious, if you have a GP that’s a local GP, I am sure that you have dealt with the partners, you have dealt with Canadian investors as LP’s, which is a little easier than having the Canadian as a GP.

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**WS:** Yes, it sounds like it would just be easier for you to just move below the boarder, you know?

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**JF:** Yeah, I was going to say. Hey, I got a number of family members in New York. So yeah, maybe that will just be easier that way or if you just tell them to, maybe I'll capitalize them and tell them to buy a place.

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**WS:** There you go. I just wonder, do you have US buyers that ever contact you looking for property in Canada?

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**JF:** Oh yeah for sure. On the broker side? Well first of all, on the leasing side because we do a lot of leasing because we're downtown Toronto. So the bank towers, office towers, a number of clients are American and then investors, a lot of money is coming from Korea right now. One of our biggest developments in Toronto is Korean money, Chinese, Hong Kong, I'm sure people know what kind of background, and we have seen a lot of Asian money that has been coming in.

But that's been slowing down a bit I think recently but it is interesting from a leasing perspective and this goes for anybody that has syndicated office, retail, industrial, it's just a very different culture of negotiating like, you guys are much more litigious I think and you guys – not you guys, I don't want to say just you but the Americans that we deal with oftentimes not inviting LOIs, a million things on behalf of the tenant side that we just say no to because we are office vacancy in Toronto is 1.8%.

So Americans come up here and they try to do office deals, how do we miss that deal? It's like the landlord is being too crazy on this term and then "Put this in, we'll get this say this kind of allowance" and then we're like, "We're not going to win on that" and then the landlord just says, "Yeah we're not doing this deal" so it is a bit of a culture shock for them and that is just in a version of fact that our markets are so tight right now. So I think we are seeing it all across the spectrum, resi to retail, leasing to acquisition.

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**WS:** Yeah, well Jesse we're going to pivot just a little bit but tell me, what's been the hardest part of this in this journey to going into the syndication process or at least apartments from where you started and what's been the hardest part of that for you?

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**JF:** It's interesting. I have never viewed any of the challenges that I had as being something that has been negative because over time, it is just another thing in your tool belt. Obviously, you don't say that at the time because you lose a deal it hurts, you have an expense that you didn't expect but I am actually it's this stage in my career, both as an Asian and as an investor

that's a challenging time because we have had such a – The States and Canada, we had such a good run since the recession. It was a bit of an anemic kind of upward trend but we're in a place right now where in the last five years everybody has been saying we're in the 9th inning and trying to find deals where you know that the question you got every time from investors that say, see me on BiggerPockets or something, "Should I get into the market now? Should I wait? Should I get in?" And it is tough to answer that question when we're in such a late-cycle. Or what we perceive as a late-cycle and Toronto is a perfect example of that. LA would be another perfect example. If you were in my shoes in Toronto and you have \$200,000 of equity with a partner. You're very cautious of putting it in a 3.5% cap rate property because you start asking yourself, "Well how much lower can you get and what kind of growth are you going to have with that type of property?"

So anyway, a long-winded way of saying it's the time rate now to just I think we really need to be a lot more disciplined. 10 years ago, and I am sure you have seen this in markets that you have dealt in. You look back in time, you'd be like, "Oh man you could go online and you could go on MLS and just find property" whereas –

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**WS:** Throw a dart, yeah.

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**JF:** Yeah or at least to throw a dart and maybe, excuse my French, it's not a great property but it will have a cash flow positive return whereas now, you really have to be dialed in to make sure that the fundamentals work.

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**WS:** What is a way that you have recently improved your business Jesse that we can apply to ours?

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**JF:** Okay, so a huge one for me was, this is such a boot on the ground answer, but we had in our building, there was a company that does a full retrofit of all your plumbing. So we had, our apartment was for whatever reason, it was just – it was like a sift. We were spending I think something like \$800 a month, 850 a month on water and for an 11-unit apartment building it was way too high. It was eight or 900. I can't remember what the cubic feet were in terms of usage.

But like I said before, for one benefit of being a broker we had access to investors that have dealt with other people on their team. So one of the investors told my partner, he said, "Listen we used a plumbing guy" and he's like, "No, we don't need a plumber." "No, no, no he is a guy

that he'll do an audit of your building and figure out" basically you pay him, they do an audit of your building and then they tell you based on their calculations and what they have seen in similar markets for similar buildings what type of payback they would get on doing the full installation of all these retrofits.

So we now came to the first month after this retrofit, this is probably two weeks from now I'll get the bill but you just saw. I was just looking at our meter reads and it was just firm like it just dropped off a cliff. So I am excited to see what that ends up being but as you can imagine, you know you're getting that kind of help on a 10 unit, 50 unit, 100 unit yeah it was definitely a win because I think people don't realize we are talking about raising rents. It's always the first thing people think about, they don't think of lowering expenses. Where the value captures is the same.

[INTERVIEW 2]

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**WS:** Michael and Suzy, welcome to the show.

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**Michael Barnhart:** Thanks so much, Whitney. It's a pleasure being on the show.

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**WS:** Tell me a little bit about, because I get this question often you know getting started, you know, being overseas for a while I mean that's a whole other set of limitations, there are hurdles that you all had to cross, but working full time getting to the first deal. Tell me a little bit about how you structured your time? How you know, some key things that you had to put in place to manage your time and maybe time block are structured important things that you had to accomplish getting to that deal?

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**Suzy Sevier:** Yeah, that's a great question and so one of the biggest things actually is the time difference right so like we are ahead of even like California and such by eight hours. So by the time, it was 5 pm here I was 9 am there. So we still had like five or six o'clock on you know to 10 or 11 to still talk to people and go to those networking events and get so much done.

So that was the biggest, I think, like the grace that allowed us to move forward and I mean we're very much morning people so like we would take advantage of the mornings to get work done and then take advantage of after work just to catch everybody to also get work done. But something that we also implement very well is time blocking. We just found that like when we

find times to talk to people or go to networking events or write blog articles and such that that has really helped as well.

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**WS:** Is there a tip around time blocking you can add you know that's that. I mean it's a skill that you develop right and it's a habit you have to almost create, and it's difficult at first to be that structured with your time that's so important. Any tips around making that happen?

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**MB:** I think the biggest thing is, you just have to be disciplined with your time. Like your time is the most valuable resource and people tend to waste that more than anything. And so, you just have to realize that is it is your most valuable asset that you have to give. And you have to be very disciplined and very diligent at like time blocking things right and then also prioritizing certain things are very other things.

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**SS:** And I think another just tip I guess there's two is that to actually give yourself the correct amount of time that is needed. So although you might put like oh I only need a half-hour to write this blog article, like there you actually might need an hour. So put in that hour so that your time is allocated. Yes, so you get it done in like 45-50 minutes, like, that's just awesome that you have an extra 10 minutes, maybe like put something else in right away. And then another thing is figuring out, like when your green zone is and what I mean by that is like when you are at like the peak of your creativity so if that's in the morning, then I would try to time block some of your most prioritized times at the morning you know if that's in the afternoon, do it there but that's just one of the most creativity will flow.

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**WS:** That's a great tip right there. Well, and I love the green zone I love that terminology term for it because I found that also I love morning time being up early. I've always thought also being an Eastern Time is a plus, because I'm ahead of the West Coast, you know, I bet you all are much further ahead. But, you know, let's dive into getting to that first deal you, you knew you had to have boots on the ground, you reached out on social media. So you're putting yourself out there right you're going to these events, you find an old school made I think you said that that reached out said hey you know I'm looking to get into real estate as well. And then the markets worked out, tell me some other things that had to happen to get to that deal.

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**MB:** I think the biggest thing that had to happen was just finding a mentor for us like it says it was my, you know, our first acquisition multifamily acquisition like we want to make sure that it

was right, especially since we're raising so much money from our investors and make sure that all the numbers are correct and things like that, especially for the market.

The biggest thing that, that, you know, the driver behind our success was probably finding a mentor, that was in the specific market in this specific submarkets that we were looking at and he had assets in that area right. It was just an organic mentor that we found just through networking and things like that, like, Suzy was mentioning we networked a bunch because everything went virtual and ran across this gentleman. And, and I just kind of kept in touch with the kind of developed a relationship, and then ask them, Hey, what do I look at your monitor right and can we meet like once a week, and chat. Look, I'm underwriting you know look at the assets I'm looking at. You've seen them all because you're also looking in the same area right. So let me know what you think. He was looking for limit bigger deals, you know, 150 plus. We're in the range of, you know, 75 to 125. And so, you know, we were not in direct competition so he was more than happy to help out however he could and then, you know, in return, he would come on the general partnership team and that's kind of how he would make his money back if you will.

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**WS:** Wow, okay. So tell me, what were a couple of things about him, or that that said okay this guy could be a mentor for us and he said he's in the same markets he's doing larger deals those things but anything else that said you know what this is a good fit. And then also, was there any kind of commitment from your side financially or time or work or anything like that?

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**MB:** So I think, you know, the other thing after just chatting with him back and forth via emails and chatting on zoom and stuff like that like I knew he was somebody that I aspire to be just like I know like this is several years ahead of me. I want to be exactly where he's at. So I think, you know, aligning yourself with somebody if you don't, if you don't see yourself and your mentor shares in the next X number of years, then that's not the right mentor for you. Right. I think that's key as well and then making sure that you not only do you aspire to be like them how they are how successful they are in real estate but also how they carry themselves, and how also they portray themselves to everybody else right like you have to make sure that those other values fall in line as well. So I think that's huge.

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**WS:** That's, that's, that's such good advice right there and thinking about who that mentor is. I don't think most people see it that way, that you know and think about it you know I want to be where this person is, and even to the point you know how they represent themselves I find that so important as well.

I often tell a story about how when I was a police officer, you know, I knew that how shiny my buttons work could save my life. And that seems silly to most people but you know like professional criminals know to look for those things for slouchy officers, right in, or, you know, officers that aren't squared away I call it so. But you know, in our business, I find investors brokers, all those people are the same you know it's saying, Well, how are you presenting yourself and so finding that mentor that presents themselves the way you want to is very important.

What was your commitment and you know I've given \$1 amount or anything but I just mean, how did you commit it was a financially was at my work, or was it just by him partnering with you?

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**MB:** So I tried to add value back to him however, I could, whether that was, you know, finding someone's website to fix or like hey providing value. However, I could you know wherever I thought I saw an opportunity to add value back to him, I would. But he didn't require any monetary contribution or anything like that. He just has given up his time he, you know, he saw the big picture, you know, you know when he was in my shoes, he had a mentor to look up to and now he's doing the same looking, looking back, as he still climbing upright. So, looking back and helping me up, as he's still looking for. So, that was huge, and like I said he would come on, as a member of the general partnership team, and then get equity in the deal and that's kind of how he would end up getting, you know paid back for his time if you will.

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**WS:** No, that's awesome. That's, that's a great partnership there. Tell me, steps to getting that first deal or how did you find it?

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**MB:** So we found it. Just by networking with, with a bunch of brokers, we actually this one broker, in particular, we had submitted allies with him, previously he knew the team that we had built, he actually did a couple of transactions with my mentor in two other deals. And so he knew that you know, we have a strong team we can close on an asset. And so when we submit an ally on this specific property he knew that we were strong buyers, and he represented us well to the seller or to the seller.

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**WS:** So he knew you were a strong buyer because of really your relationship with your mentor is that what it was?

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**MB:** That's correct. And also I provided you know, an entire cover letter that had all of our bios, what we've done previously professionally, and all the real estate we've owned combined, right? And then also submitted that whole package together, so we knew he knew that not only can we close but we're also professional in and representing ourselves that way,

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**SS:** And even a big thing about the cover letter is that we wrote that like what lender we had been in contact with what property manager we were going to go with you know and that's huge too because they could see like oh they've already done like the background work they're not going to go into this LOI scrambling to get all those other, I guess people to become a part of our team.

[END OF INTERVIEW]

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[OUTRO]

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