**EPISODE 1159**

[INTRODUCTION]

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**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.

**0:00:24**
**WHITNEY SEWELL (WS)**: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell.

Today our guests are Nick Earls and Eric DiNicola. Nick and Eric are full-time real estate investors, developers, and founders of Winterspring Capital, a private equity firm based out of Boston, Massachusetts. In starting their company, Nick and Eric have owned or developed over $56 million of multifamily assets with an additional $40 million ongoing developments in the pipeline. Nick and Eric focus on several different types of multifamily investments from value-add, hundred-plus-unit complexes in the southeast syndicate alongside their investor base to affordable housing developments to luxury multifamily condominium developments.

Nick and Eric have a unique partnership. They've known each other for 20 plus years. We go into that a little bit and some things about their partnership. But really how they noticed an opportunity and how they seize that opportunity to move forward. They were knee-deep in their first project when it was rejected by the local zoning. There were just some great corners around this when that happened. But also, they pointed out how much profit can be had when you're willing to overcome these barriers. So, I know you're going to be encouraged and motivated and learn a lot from Nick and Eric.

[INTERVIEW]

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**WS:** Nick, Eric, welcome to the show. It's an honor to have you guys on. I look forward to hearing more about this niche that you all are in. I think it's unique compared to most of the conversations we've had on the show. So, I'm just looking forward to learning from you really and how you have. Before the show, you were talking about - there's a lot of profits to be had if you can overcome these barriers. So, looking forward to helping myself and the listener in doing the exact thing. Tell us a little bit about both of you, your partnership, and maybe how you met. How you got into this business as well, this real estate thing that we call syndication or commercial real estate.

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**NICK EARLS (NS):** Yeah, absolutely. Thanks for having us on. Eric and I have been friends for almost 20 years now. Been friends since we were kids actually. Went to high school together. Kind of always had a little bit of a rebellious or independent streak. I didn't want to work for the man. I wanted to kind of forge my own destiny. Went our separate ways for college. But we still kind of had that idea - Let's start a business someday. And we were saving up money for a couple of years because I got my real estate license in 2011. So, I started to kind of get into the industry. I was selling smaller apartment buildings, so it was on the commercial side. I understood that if you buy enough of these, you had passive income. At that point, I didn't know too much about investors, but I just had this idea. What if we save up some money and start buying rental properties? So, we're doing that for a couple of years. And in 2015, we had saved up a decent chunk of money after four or five years. I saw an opportunity not in buying a rental, but in the condominium market in Boston, a very strong market.

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**NS:** Basically, you're building from the ground up or converting existing structures, usually a two-family like a duplex or a triple-decker. Then as years went on, we started to do bigger projects. But we got started with that and you sell them at the end to a homeowner. You can make a lot of profit with projects like that, and we've been doing it ever since.

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**WS:** I want to back up even further. You knew each other for 20 years and you started a business. Tell me, how did you all know that? To help the listeners, 'cause this is always a question I get about partnerships. How do you all know that this was going to be a good fit? I know you knew each other for 20 years, but does that always mean it's a good fit? Or is there

anything around that that was like, “You know what, I know this is going to work out because of this thing.”

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**ERIC DINICOLA (ED):** I think with Nick and me, we had our group of friends in high school. We kind of have similar personalities. We played football, did powerlifting, played video games - World of Warcraft was something we played back then at the end of high school. We just had a good sense of working together. We have very similar values and as Nick said, kind of have that rebellious streak. Not that we were sort of jerks to authority or anything like that, it was just we wanted to do things our own way. And we had an idea of how we wanted our wife to end up, and it was sort of very similar. Before we had families, we kind of said, “Look where we grew up, we see what it's like to have a family as kids. We want to make sure our families have permanent financial freedom.” How do we make that happen? And it wasn't like it just clicked. We said, “Oh, it's real estate.”

It kind of took a lot of time when we realized a lot through niche experience that we're selling those apartment buildings that you talked about. We kind of figured out this is the path. I mean, this allows us to not have to work 8 to 5 every day. We ended up working more than that, it seems like. But it's not in that sort of capacity where you're just stuck in a cubicle the whole time working for someone else. There's a lot more uncertainty to it, which we knew going in or sort of knew. But I think it all just kind of worked out and we said, “This is clearly the path.” We didn't butt heads or anything, it was sort of a natural fit for our personalities and goals.

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**WS:** It's awesome. You mentioned numerous things there that you were aligned on. Sounds like you knew each other very well. You'd spent a lot of time together growing up. It's awesome. Actually, I think you saw an opportunity there as well in each other in making this happen. Nick, you mentioned you saw an opportunity in the condominium market. What was that opportunity? How did you recognize that? Being new to real estate, how did you even recognize an opportunity like that? Then also have the confidence to move forward and make something happen?

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**NE:** So, just because I was an agent, I was vaguely familiar with the Boston market. I was selling more in the suburbs, but we saw I had access to MLS (Multiple Listing Service) and everything. After the recession in 08-09, Boston very quickly shrugged off that damage, especially in the condo market and the price just kept going up. So, by 2011-2012, there were developers making really good money and condos in Boston that might surprise some people in different parts of the country. So, I saw that and it was just on an upwards trend, and I didn't fully understand the dynamics at that time. What really caused that is there's a lot of demand. Boston's one of the number one, I think, alongside San Francisco, the number one life sciences city in the country right now. And over the past 10, 15 years, there have been more and more companies - biotech, laboratory facilities, Moderna, one of the vaccine producers is headquartered in Cambridge, right outside of Boston. A lot of high-income workers moving into the city. Meanwhile, the zoning code is very restrictive, it's very outdated. And basically, you need special permission to build anything that would pencil, I mean, underwrite properly.

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**NE:** So, it's a very political process, a lot of red tape. We gradually learned that, “Okay, yeah, this process is pretty stressful. And you gotta have neighbors throwing tomatoes at you and kiss a politician’s feet and all this nonsense.” But if you're willing to do all that, you can get some good projects approved and make a lot of money because there is a lot of demand there. It's high-income workers and there's not much being built because of all these barriers. So, we kind of gradually figured that out. I wouldn't say we knew all of that on our first project. But what we saw was a neighborhood in East Boston, which had previously been more of a run-down overlooked part of the city. Back then you could buy a condo in East Boston, a new construction condo in East Boston for 300 bucks a square foot. Today, over 700 bucks a square foot. The growth has been crazy.

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**WS:** Wow! We should have bought some back then.

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**NE:** Yeah, and some people did. And they're sitting pretty today.

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**WS:** Wow! Okay, so you saw an opportunity and had some experience in real estate a little bit

in a different way. That helped to expose you to this market, and it even sounds like you probably knew other people that were making some money doing this, right? You were exposed to that. It's like, “Well, wait a minute, you know what? I think we should take advantage of that as well,” and you all did. Would you speak about the first project? Maybe some lessons learned and then let's move up to what you are working on today.

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**ED:** Yeah, so this was an existing two-family. I think Nick briefly touched on this, it’s an existing two-family house, some people call it a duplex. It sat on a pretty big parcel of land, and this type of play is not really as common now because a lot of these have been gobbled up. But there was enough room that allowed for a bigger footprint within the zoning code, a bigger total additional square footage for the living area to fit there. All different cities have different metrics regarding density - how big compared to your parcel of land can your building be. Boston uses floor area ratio, so it's essentially just all your floors in a certain ratio compared to the lot size. So, they have limits per zone. It might be 1.0, you can have 100% of your parcel size on your total floors. So, this particular one was an existing two-family. Nick found this and figured out, “Okay, look, we can add - it's in a three-family zone as well - so we could add a third unit and work within the FAR (Floor Area Ratio) requirements.

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**ED:** The way that project went down was, it was as of right, because of these things Nick found. It didn't have to go through the zoning process and get variances granted. So, we added an addition, additional foundation and got everything and turned it into three separate condominium units. Then as Nick had said, sold them to three homeowners. During that process, we learned a few things. First of all, the plans were originally rejected. And Nick knew 'cause he had studied this and he was teaching me at the time that this is completely right. They shouldn't be rejected. The architect designed this specifically to meet the code. So, there was sort of a back and forth that the plans examiner at the city who eventually conceded said, “You're right. This does work.” So, that was kind of lesson number one. You can't just accept their determination if you think you're right. You might know this one code better than them. That was kind of lesson number one. Lesson two was you go in conservatively with your projections, because in the end for this one, the market continued to go up. We thought, “Okay, it's going to be a great project.”

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**ED:** And we ended up selling each condo for even more than we thought. It really helped propel us into the next project where we then did seven units as opposed to three in the same neighborhood. So those, I think, are probably the two biggest takeaways. Mainly the first one: that you can't always trust the plans examiner.

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**WS:** That's awesome. Did you have the plan before you bought it to turn it into three units as opposed to two?

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**ED:** That was the plan from the start.

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**WS:** So, you had a plan to increase the value by adding another unit. It sounds like you sold them separately. But your challenge was the plans were rejected. Any more detail you can provide there on making that happen? Because I feel like many people have been rejected and they just would have stopped there. “That's alright. We can't do it.” But obviously, you didn't stop there. What were some of the steps that you took to move forward with that, to challenge it?

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**NE:** No, it's actually pretty intimidating for my first job. We decided, “Alright, we're going to jump in. We're going to take this risk. We're going to do a development project.”
And then, it's supposed to be allowed by the code and suddenly, it’s rejected. And I'm like, “Oh my God, what are we going to do?” I actually still remember, I was sitting in my car outside of the job site, and we had already gotten our demolition permit. The problem was we couldn't get our building permit. So the job had started, but it was like, “Alright, we're going to demolish a part of this building, now we can't do anything.” So, I was calling this guy, I was very nervous. But, you know, I had read that code inside and out. I had done my homework. I've done my due diligence. So, I just argued on my own behalf. I said, “Hey - and I was being very nice. It's another thing when you're dealing with people who work for the government - kill them with kindness.

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**WS:** You said argued and I was going to ask you about that.

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**NE:** It's not the right word. I had to modify that, caught myself, 'cause you gotta kill them with kindness. But you still have to push your own point forward. You can't be a pushover. So, I literally just called the guy and said, “Oh, you know what, I'm reading it this way, the code says this year, you read this, senate, see this.” And the guy, he's a nice guy. He just thinks he's doing his job, he probably rejected earlier and not really paying that close attention. I eventually took a couple of calls, but I got him to just overturn it. We've had several situations like that where people will say no. And it's not always just the zoning people at the city, it might be someone saying, “Oh, we can't finance this job.” And then you go to someone else and you get a different answer. It was definitely an early lesson on how you gotta keep pushing. If you know that something's right and you've done your homework, push until you get the answer that you're looking for. Just be smart on how you push obviously.

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**WS:** It's just a good reminder to all the listeners and myself. It's going to be discouraging possibly, no doubt about it. But you just can't quit there and that's going to happen so many times in this business. But just like you pointed out, there's a lot of profit that can be had if you're willing to overcome these barriers. And there are going to be barriers no matter what business you're in or what type of real estate. The ones that are going to make it are going to be the ones to push through those barriers. There are times you get knocked down but you just have to be persistent. Shed some light now on the types of deals you're doing now.

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**ED:** I could even do a little background; since then, we rolled all our own profits into the next project, and after that. And it took us probably a year or two after that to realize, “Alright, some of our peers who we started with, are doing four projects at once. Why are we only doing one? Why do we have to wait till one’s done to do the next one?” And yeah, they're profitable. And that's great, but you kind of run into the developer's dilemma of - you could be building all of these, you could be building all these units and you have no cash on hand, or you're always strapped for the next requisition coming in from the loan draw. You see it with guys who are building hundreds of units and it's like, “Well, you gotta bring in investors.” It hit us, then that

we said, “Okay, this is kind of the path to doing that.”

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**ED:** So, now what we're working on is we have several projects going at once - a ten-unit job we got entitled again in that neighborhood of East Boston, that same sort of area, a different part of it with water views and stuff and a six-unit. Both of those, we got entitled. We’re working towards the permits on those. And one thing we've done is we start marketing those to sell permitted. So, we're going to sell the project off to someone else, make a nice profit without putting the shovel in the ground. We also have our largest development project that we bought permitted, so we didn't have to take it through the zoning process. It took a two or three-year entitlement process for the seller. So we bought it from him, we just closed on it. it's in Brighton, it's a 32-unit luxury condo development. It's near Harvard, MIT, and Fenway Park. It's a very nice development. It’ll be our biggest by far, close to 50,000 square feet, five-story.

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**WS:** That's awesome. It's interesting, it seems like most of us that learn about real estate early on, there's some point where a lot of us are like - how could I do bigger deals? Or how could I do more deals? And then eventually you learn about this thing we call syndication or how can I work with investors? Or how does all that work? So we can do four projects instead of just one at a time. You mentioned though, you learned you had to bring in investors so you could do more than one project at once. Elaborate on that. That's something obviously that's so important in our business - how we work with investors, how we get in front of new investors. Especially early on, that's another part of the business that's pretty intimidating for most. “I haven't done a deal yet that's difficult getting started.” How did you all bring in investors? What was your thought process there or lessons learned?

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**NE:** It was a very slow build-up and then it just kind of started going a little more quickly in the past year and a half, two years. Eric's parents invested, my brother-in-law invested, and then a guy who was the first not-friends-and-family guy, but he's kind of a friend now. My wife's friend's friend, he wanted to invest in real estate, and he invested a good amount in a project a couple of years ago. And that kind of really got the ball rolling.

Now, we have a website and an online presence. We have a lot of free educational content,

just giving stuff out for free. And then some percent of those people might want to invest with us, the vast majority probably won't. They probably want to do it themselves, which is fine. But we've been focusing more and more on that now. So, we have a pretty good investor base, but it got started very slowly. I would say it helped that from the beginning, we didn't - like when we got into real estate - we didn't think about investors. That was completely alien to us. First few projects, we didn't have investors. So, we had already built up a track record before we even had this idea of getting investors involved, which I think was very helpful.

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**WS:** No doubt about it. That's most people's issue. They don't have a track record as they're trying to speak to investors. What were some lessons around working with investors as you started to take off? Anything else that you could help the listener with as they're trying to have those conversations right now with investors for the first time?

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**ED:** Yeah, I think transparency is a big thing. You want to tell them where you're at in the stage. One thing we do is we send out monthly updates, in addition to fielding any questions they have or phone calls or anything. We brought in another one of our closest friends to work with us and kind of interface with investors for over the last two years now. He's worked with us, he'd help find new investors, even find new deals. But he'll send out an update on all projects every month to say, “This is where we're at with this one.” Show current renderings of where it's at if we're in an early design stage of the process. But really just say, “Well, this is the true expectation, it's development, it's not - we're not buying a turnkey property where we're going to pay you every month or every quarter. This is going to be sort of a long haul, or it's going to be a couple of years possibly, depending on the size, before you receive like a balloon payment, if you will.

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**ED:** And so you’ve got to make sure, in our business obviously, it's different for other real estate investors in their business ventures, but for us, it's like a one to two-year process. So we’ve got to make sure everyone's comfortable. They understand it could be a little while before they receive their payments, so it's really okay. It all comes down to transparency, openness, showing exactly where we're at in the process, and making people comfortable that, “Okay, if it's a little delayed, no problem. This is why it's delayed. This is what we're doing

to eliminate further delays." For ahead of schedule, great, everyone wants to hear that. So it's really just communication and transparency.

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**WS:** What's your best source right now for finding new investors?

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**NE:** I'd say right now, a lot of our investors are just repeat-investors. But as I said, we've got our online educational platform and new people kind of gradually click away and people will download. I wrote a book about condominium development and how you can invest in developing in real estate, and people download those. Every so often someone will sign up on our investor portal. They'll have to check off if they're accredited and fill out a small form. So that's just kind of slowly been building. A lot of people are repeat, as I said, new people are trickling in gradually as well.

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**WS:** What about here in this type of business, condominium development, and what you are focused on, how do you prepare for a downturn?

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**ED:** Well, one thing is, it's tough to prepare for a downturn when you're selling units. It's certainly a bit tougher than when you're holding on to an asset that might be in the workforce housing rental. Probably you're going to be okay. Multi-family is pretty strong. But for condos, it is a bit different. So, the way we go into projects is we have a very bottom line where we say, "Okay look, this is what the market is at right now. This is what we think we'll get when we sell this." We won't assume any appreciation, but if it probably will happen based on the trends, it's great. If it does, that's great. But what I really want to say is, we look at the bottom line. What's the bottom line that this could work at? And if we see - Okay, look, if 20% less than what we're projecting could still work and get break-even for everyone, that's pretty good. As Nick said in the beginning, Boston, kind of shrugged off the 08-09 situation and continued as a very strong real estate market up to the population boom of the life sciences aspects that Nick was talking about.

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**ED:** We just go in conservatively. So like a big project, like the Brighton one that I was talking about, our biggest one, we just look at that bottom line number. If we're doing a smaller project, same principle, but we might say, “Okay, well, could we maybe take this over if there are investors involved? Could we somehow make them whole and kind of take it over ourselves and bear that economic risk? What's the bottom line there?” So, that's the way we have to look at condo sales. If you're talking 1 or 2% price drop or very low difference to break even, that's probably pretty risky. If you're talking a major one, a fifth of the price, a quarter of the price, typically, you can probably withstand that.

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**WS:** What about any predictions that you have for our real estate market? Or maybe your market specifically over the next 6 to 12 months?

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**NE:** I think Boston, in particular - we’re experts on our local market - Boston is going to keep growing. Drive to any cardinal direction, you'll see giant laboratory spaces being built. I did a lot of research on this, there have been grants awarded over the past 20 years for biotech and life science research. And that's just now bearing fruit and Covid has accelerated that. And we're right here in the heartland where all that's going on. It's a booming industry.

I'll give you an example. In our Brighton project, we're working with a broker who has been doing these luxury condominiums with a lot of life science or university workers that buy the condos at the end. Those are the buyers’ demographic. And he said, when Covid started, there was a little bit of a dip because of the Chinese graduate students that had previously been a strong buyer demographic. He said, in the past year, that's all been filled back in. We don't need them anymore, and they'll probably come back and then there'll be increased demand. Just because the population growth is so strong, the Planning and Development Agency in Boston did a study a couple of years back, projecting what the population would be by 2030. And we've already surpassed it, so that kind of gives you an idea. We have faith that Boston will do well in terms of the general situation. There's a lot of money out there in the economy right now. Federal Reserve’s going to start tapering.

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**NE:** We've seen a lot of cap rate compression, especially on those kinds of vanilla value-add

apartment deals. We were actually looking in the southeast, and we put a pause on it. And we're trying to look at office conversions and deals where we can add even more value because we do think some of those properties are over-valued at this point.

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

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**ED:** That's a good question. I think both of us have a similar personality, not to speak for you Nick, I'm sure you'll agree that we begrudgingly created a lot of these habits. It wasn't our natural instinct, when we were younger, we're more like night-owl-type people and not really conforming to normal schedules. At first, I think we thought, “Oh, this is okay for real estate”, but once you get deeper into it, you realize you have to have habits.

So one thing we try to do - I know both of us are trying to get as much done in the morning as possible. So when you wake up, you're going to have a thousand email messages, all this stuff. Just try to ignore that to a certain time in the day. Because if you don't respond to an email right at 7:30 AM and you wait till noon, it's probably not a big deal. I mean, if the person really needs to get a hold of you, they'll just keep calling you. We just start to learn from experience that, what's the downside of doing that? If it makes your most productive time email-free and call-free, you can get a ton of work done. Research whatever you're working on, content creation, till say 11 o'clock. That's something we try to do. Then we schedule our meetings in the middle of the day.

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**ED:** Calls. I'm sure you know, Whitney, they never really end, the calls. All of a sudden, you get 50 of them in one day for whatever reason. And then you kind of dive in, start responding to emails or open queries. So, that's kind of the structure and habits that we form that help us now. In development, we have multiple jobs going on at once. There are always fires to put out that you're not expecting. In the morning, all of a sudden - okay, we have this issue over here, you're going to come to the job site asap, we're going to figure this out. And hopefully, that doesn't take up the whole day, but you gotta be prepared for that too. So, just to have a good mind, say you never know what to expect when you wake up that day and in our business. But really, do as much as you can as far as content creation in the morning. Don't worry about your

emails. Don't worry about getting back to people till the middle second half of the day. That's kind of our habit.

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**WS:** That's great advice, and I have not always done that. You're right, the emails, phone calls are never-ending. They're always going to be there. Thankfully - and the listeners have heard me stress this, and I'm going to stress it again - you need a good assistant to help you with those emails. You've got to put in some processes and things in place, so they can handle as many of those as possible. There's no way I could look at all the emails that I get every day. It just would not be the best use of my time. So, we have a system where she helps me to see, make sure that I see the ones that I need to respond to, or see personally. The majority of them, she can take care especially as she gets better, knows me better. So, I just encourage people to think about that. But, such good advice, not turning your phone on or leaving it on airplane mode. We first get up, 'cause it can just be like a train wreck. Wrecks your morning when you see that email, maybe a little bit of bad news or something that's discouraging then you're just not near as motivated to be productive as you had just waited.

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**WS:** If you had to pick one thing though that's contributed to your success, what would it be?

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**NE:** I think it's the combination of always trying to learn new things and being willing to dive in and just learn it as we go. We're doing affordable housing, we're doing condominium development, we buy rental properties, we're doing an office conversion, trying to learn about historic tax credits right now for that office conversion deal. We always try to learn new things where we can add additional value. Put a new tool in our tool belt and keep up in our game. And we're not afraid to jump in and figure it out as we go along.

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**WS:** How do you like to give back?

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**ED:** We started this past year a non-profit called the Lucky Puppy Society, and the goal behind that is to fund surgeries, life-saving surgery for dogs that otherwise the owner would not be

able to afford and have to put the dog to sleep. So, we grew up with dogs. We love dogs. We have dogs. So it seemed like a good fit. It seemed like there was a need for that. There are a lot of dog rescues out there in that type of thing, which are great, but this seems kind of like a niche that there was a need for. We had seen these real situations in our lives and we figured, a percentage of the profit from every unit we sell will go towards this cause. So, that's our most obvious main way that we give back now.

**0:27:50.5**
**WS:** And that's a niche for sure. It's interesting and something you all connect to, and I'm sure many others will as well. I appreciate you sharing that.

Nick, Eric, I appreciate your time being on the show. We talked about partnership. We talked about you getting started and seeing the opportunity in the condominium market. And making things happen even after your plans were rejected. But man, you were already knee-deep in that project, and then it was rejected. I could just imagine some fear, you're that far into it. But then you did not give up, and I just congratulate you on that, especially now, you see where you're at now. What you're doing's incredible. So, just grateful for you all sharing that story, encouraging myself and the listeners as well, and helping us to learn from you and your progress.

Tell them how they can get in touch with you and learn about what you're up to.

**0:28:40.6**
**NE:** Yeah, we're pretty active on Instagram at Winterspring Capital, and then just check out our website, https://winterspringcapital.com/.
Got a lot of good books on there. You can check out https://winterspringcapital.com/development-book, that goes through our condo development strategy if you're interested.

[END OF INTERVIEW]

[OUTRO]

**0:29:03**

**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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