EPISODE 1204

[INTRODUCTION]

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Whitney Sewell (WS): This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today is a Highlights show that's packed with value from different guests around a specific topic.

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[INTERVIEW 1]

0:00:24

WS: Our guest is Sanjeev Silla. Thanks for being on the show, Sanjeev.

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Sanjeev Silla (SS): Thank you, Whitney. Thanks for having me on the show. It's my honor to be on this show. Thank you.

0:00:32

WS: Look forward to learning about your steps and getting here, Sanjeev, and getting into multi-family and why multi-family versus some other investments that you could have. Tell the listeners who you are, how you got here and why you're doing this multi-family investing.

0:00:46

SS: Thank you, Whitney. That's a great introduction. Before I begin, I would like to again, thanks for having me on the show. First of all, thank you for your service, what you've done in 2005-2006 as part of [inaudible]. Thank you for that. Congratulations on your other year, totally years 2005, I believe. Third thing, the show, what would you've been providing to all is the most valuable content. Very detail. People like me. Not only me, anyone wanted to invest in real estate, especially multi-family, any investment, but this is also a great place to start.

I mean, in the last few years, I don't watch the news. I don't listen to NPR. I mean, I do listen to NPR mostly from the understand economic perspective. For the last few years, I've been investing my time, coming to seminars, listening to podcasts like Whitney. Thank you for your service on that.

0:01:37

WS: I appreciate that. Thank you so much.

0:01:39
SS: Thank you. Thank you, Whitney. I've been investing since 2016. To give a background, myself and my wife came to the US in 2004. We grew up in India. We came here in 2004. In 2010, three things happened to me, to us; one is we had a second child. My son now is nine-years-old. We had one in 2010. The second thing, I took a new job with Accenture, which changed my career possible with the big picture, thought-leadership, how to communicate, how to delegate leadership skills, that's number two. Number three is I was actually stumbled into Rich Dad Poor Dad book.

That changed my whole mindset. A job is not one thing. We need to focus on passive income, so that's where I start in 2010. 2011 we moved to Dallas. I got an option, I can go anywhere in the US, the guy I used to watch with Accenture. I travel across from the East Coast-West Coast for a couple of years. We moved to Dallas, we know it's the most happening place in the US, we thought this is the best place to move on. We moved to 2010, officially 2011 to Dallas, then things started happening.

Since our [inaudible] that, "hey, I know. I need to do – get passive income, what's the best option?" I was looking at stocks. I was looking at a single family. Then I look at stocks, which we talked about briefly before the meeting, right? We cannot control if something goes wrong. I cannot call COA, "What's happening with my stock?" I cannot control that one. Second with single-family homes, where I see not scalable. You have to manage the toilet and tenants, everything, which I think we can buy one of the two of three, won't base on the income level. Then I found the way, multifamily, the way to invest, get passive income. That's how I went into multifamily and real estate.

0:03:22
WS: Okay. So, you looked into stocks and I appreciate you talking about we can't control it. I've heard somebody talking one day about this exact topic and he said, "No matter how much I invest in Apple, no matter how many iPhones I go by, or tablets, it's not going to affect the stock, right? I can't control it. I can't do anything. I can't touch it." That's awesome.

I think you had mentioned that you also looked into single-family as well, right? As opposed to multi-family. What did you discover there and why multifamily? What are your determining factors in going with multifamily?

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SS: The reason, again as I mentioned clearly in our documentation ideal right, is that I had a cash flow, right? In multifamily. Which you have a cash flow in the single-family too. But again,

it's linked to one or two homes, right? Maybe three, based on the income level. It's not scalable. Single-family is not scalable, right?

Number two, if someone is not renting your single-family, it's one or zero. If someone's not renting, your income will be zero, right? Number three, you have to manage each property with a different location. I cannot bring a property management company, because it's a different location. I can't bring it – because I can buy a home, there's no guarantee I can buy a second one next to this. There are no levels out of expenses there. Based on this reason, I went to multifamily.

0:04:36
WS: Sanjeev, or let's say, talk about the team that you all built, you all started this Infinity Investments and you all been a part of a couple of deals. Give me your goal in this, in Infinity and what you're all looking to accomplish, and let's talk about how you're going to get there.

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SS: My friends, so [inaudible], we started this company Infinity Investments back in 2017. So, we all know before we get into business because we are like-minded, we're all from the same culture. We understand we are all – it's like-minded. It works as a team, right? That's number one, you need to have a good team in place. Number two, years my partners, they do have experience earlier in doing a multifamily deal. It's a small, small deal by themselves and they have the experience of how to manage that.

I have a team that can supplement my skills. We have to look to a café, so it could be a day-to-day operation of my apartment is number two, right? Number three is we define the goals as mentioned. We define the SMART goals, which is a very key thing of anybody to have a sector, they need to have key SMART goals. They should be able to define, once we have a SMART goal, we need to define the criteria, where we want to buy.

I've been investing across the country, but I live in Dallas. I still feel Dallas is one of the most happening places in the country. When I moved in 2011, the population was around six million people. Now seven years down the line, or eight years down the line, we are almost seven million people. The way things are going by 2030 will be 10 million, 11 million, with us, right? It's a much happening place.

We define the criteria. Again, we thought, we have to look at B or C class properties, maybe at least 60 to 150 units. We have specific details that are meant with SMART goals. Also, we put this timeline. Maybe in one year, we want to make sure that we have at least two deals under the contract. That's exactly what we did. I know, the first deal took almost seven months to get the first deal, but I will tell you and all here, when we moved to this country, it took me seven years to buy a home, because we're not sure where to buy the home and which location. It's confusing because I don't have an education at the time, right?

So, but I'm happy to say that after seven months we formed a team, we were able to get a contact in a deal in seven months. Because of the education, you need to have a mentor. We have been part of the [inaudible] group. I mean, wonderful. So, once we earned the contract, we're able to close a deal in 60 days from that. And the second deal, we're able to close nine weeks from the first deal. The reason is we got these most aptly placed at Dallas and with the minimum from $70,000. These two deals are within a mile apart. So, we can level expenses, not only in our income. We do have [inaudible] the expense. That's how we end up with two deals last year.

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WS: Nice. So, I was going to ask you about how long it took to go from the first deal to the second deal and I'm glad you elaborated on that. Even talking about building your team and you all being like-minded, a lot of that's important. I'm sure you all bring different qualities to the team. But also having a coach, having a mentor, we've stressed that so many times on the show and heard so many people talk about. They had this coach or had a mentor. That's really what helped push them and give them some guidance and some confidence in doing this business and moving forward a lot faster.

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SS: Absolutely. I can give you an example if you don't mind?

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WS: Yeah, please.

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SS: In 2014, some of my friends formed a team, we wanted to buy an apartment. In 2014, we went to Fort Worth, which is 30 miles from here really. The [inaudible] looking at the financial statements. You're not there yet. I learned the hard way. So, then we understand that there's a way to achieve this one. It's not just well, the financial. That's why you need to have a team where they can leverage the experience in the financials to buy a bigger deal. It's all because of education and mentor. The mentor gave it a lot of confidence.

Also, it's just confidence. Look at the market down, just look at the job market, various factors, right? We talk about population growth, job growth, income level, median income. I mean, it's just so many factors that would feel you confident you can go in the right direction.

[INTERVIEW 2]

0:08:45
WS: Our guest is Spencer Hilligoss. Thanks for being on the show, Spencer.

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Spencer Hilligoss (SH): Hey, Whitney. Thanks so much for having me. I'm really excited to be here.

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WS: Tell us a little bit about you how you got started investing in real estate.

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SH: Yeah. Thank you so much for that intro, Whitney. I'm really excited to be here. So I found passive investing through syndications, through a pretty unique journey. It was one I would just say is wrought with hardship and a lot of hard work and a little bit of good timing. But my own investing strategy is primarily focused passively. You did mention, of course, we do some active and stuff as well. But we focus on multifamily. We focus on real estate syndications. I assume your listeners if they're tuned in to the syndication show, they're already familiar with what that means. That just means people investing together to buy something so big that they couldn't buy it alone.

So one of the things that I have found and I have come to believe, is like a core belief of mine through this journey is that playing financial defense and offense is something that's a choice. I learned that kind of a hard way from some series of events throughout my family and my upbringing. But I'm happy to share more about that if you like to hear about it. But that's really what brought me to this is realizing we all have a choice. Realizing that we all have a choice to really get proactive and also make sure we can protect our families from whatever kind of hardship that life throws at us.

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WS: So you started as a passive investor, and that's what opened your eyes I guess to the syndication business and just the opportunity here.

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SH: That's right, yeah. You know what actually? I'll take it all the way back before we even go to the passive stuff, which is I made my first real exposure to real estate, it came all the way when I was a kid. When I was six years old, my dad was actually one of the top-performing real estate brokers in residential in the country. I watched him grind like really tirelessly, frankly in the '90s.

So I was around that, and I just kind of soaked that up. As a teenager, he was making me work open houses. I was in there touring $10 million mansions and kind of glad-handing these affluent buyers. I didn't want to be there, of course. It was not where I wanted to spend my time, but life was good. But I was exposed to that real estate culture early on, and then I went through and watched my family go through some pretty tough times. We entered this time in our lives called the dark decade. My younger brother unfortunately was diagnosed with pediatric cancer. He [inaudible] passed away, and my parents got divorced because they typically do in those circumstances.

So it led to this series of big financial fallouts. We had to declare bankruptcy. We had to downsize the family a lot. We had to really, really buckle down. Ultimately, watching all that happen after that exposure to real estate, had a profound impact on me. It had a profound impact on my worldview, and I became kind of obsessed with this idea that I mentioned earlier of playing financial defense.

I was asking myself questions now as an adult and even all the way through college if you believe that. I was sitting there going like, "What could I have done differently or what can I do now as a parent to avoid that bankruptcy? What lessons can I apply as a parent of two young kids now and a husband? What can I do in the event of job loss, in the event of a terminal illness of someone I care about or myself or something like debilitating injury?" All these different things that are thrown at us in this life.

So my dad was a broker. That's as active as it gets. It's an active role. If you stop doing that job, if he stops doing that job, if I stop doing my W2 job, that income stops. So I just thought there must be a better way. So flash-forward all the way to about 2016, a few years ago, and I got this career that you mentioned in the tech industry. I'm out here in Silicon Valley. My fifth software company, Whitney, and I stumbled my way into this amazing lender that's also a real estate tech company. I was exposed to a bunch of flippers and entrepreneurs, and they were trying to get me into it. I researched everything about flipping and wholesaling and all these different strategies across the landscape. I looked at small multifamily. I looked at single-family. It's like all these different options.

I also noticed that people in Silicon Valley, have this wealth playbook that's really interesting. It was the last thing I was going to mention because I think you will find it fascinating. The strategy for wealth in the tech culture goes like this. It's four steps. Step one, join an early-stage startup and try to get some meaningful equity in that company. Not real estate equity but company equity. Try to work your butt off.

So you work 24/7 in some cases nonstop. You grind. Step three, you're going to pray that you actually picked the next Facebook or Google so that your early-stage startup equity ends up becoming something huge. Then step four, you're still going to do what the common playbook is there, which is upgrade your expenses and upgrade your lifestyle. So you don't really end up saving much money.

All that said, I was following that path for many years. Despite the fact that I started to have this inkling like I'm not applying the learnings that I got early in my life. Here, I said after reading two dozen books and networking just like crazy within the real estate community and deciding on multifamily as our chosen strategy, we have now passively invested in an ample of deals. We also are now active on the syndication side as well. I kind of pinch myself sometimes, because I couldn't be happier with the direction that we're headed.

Now, I get to wake up every day and talk to other people about how great passive investing is because I don't know anything else where you can basically take your money, put it into something, and have it double within a five-year period, and below to no tax due on it. As I say, that kind of stuff to my tech colleagues. At first, they haven't had exposure to that. They're like, "What are you talking about, man? I'd rather go invest in crypto." Anyways, I'll talk your ear off. But it's been an interesting and occasionally challenging journey to get to where we are now where we look at passive investing as our ticket to a certain level of financial freedom where I can be an active parent, a present parent, which is my big goal. A present husband and also be able to feel like we've got great insulation from any of life's hardships that may come at us and, of course, to be able to give back charitably at some point. I feel like we're able to do that meaningfully.

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WS: You're working for a tech company that funds the single-family top deals. Why not start doing flips or single-family homes? Why multifamily?

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SH: That's a fair question. So we actually went out, and we followed initially a path that you've probably heard about for others with is a common narrative, which is we look locally first. We thought, "Passive investing, that sounds great." We went out locally. We drove the neighborhoods for a year in the Bay area. We went to the outer neighborhoods. We looked further and further. We devoted whole weekends while we had an infant, just driving around doing open houses, trying to find a real estate agent that was also an investor. We did find one eventually.

We did buy a local duplex, and then I realized I just spent $430,000 to get $250 back monthly in cash flow. So that's not a home run. You call that one of those singles to get on base. We then went out of state. We went to the next step. We bought some turnkey properties. Those are actually – we still own those. It's a modest portfolio. They're cash flowing great. But we still found out we have to pick up the phone for our property managers that need management of their own.

We found out that is not fully passive. That is semi-passive, and that's the thing about turnkey. Turnkey is a fine strategy. It absolutely is, and I am very thankful for the vendor that we found and we work with now. But it's not as passive as syndication. So we learned that just from experience. So we did all those things, and then we ultimately realized, with the syndication path was the only truly passive one that we have found with the level of returns that we could actually be comfortable with.

But to your question on flipping, I can't help but bring up the Robert Kiyosaki example. I'm sure it's been referenced many, many, many times. The bucket in the pipeline, for everyone out there that adores Rich Dad Poor Dad, I am another devout follower of that ethos in that book. Robert talks about the example of saying, if you're trying to go and get a solid supply of water back to that village, do you want to use the bucket? Do you want to use that figurative bucket? Walk all the way down. Fill it up again with that one cash flow moment, that one cash event. Dump that cash on the table and stay cool. Look at this, and that's what a flip will do. That's what a broker transaction will do. That's what a wholesaler would get is a one-time cash event.

I was more interested in how do I build a pipeline. How do I build multiple pipelines? Stuff that's going to flow. How do I build something that is like the best kind of boring, as funny as that might sound? Like something that is going to just continue flowing with wealth and is something, I can bet on and rely on. So that's essentially what's geared me more towards the passive investing front of rentals. Ultimately, we went through that phase very quickly over a course of a couple of years and decided to go for multifamily, because bigger is better, as it turns out.

0:17:34
WS: So in this passive investing front, do you have that financial number, that freedom number that so many people try to talk about, that they talk about, and that you're trying to reach?

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SH: Yeah. Well, yeah. I appreciate you asking that. It's a common question we actually get a lot from folks in our networks these days, which is what are you doing those for. What's your end game? I'm happy to share our number. I will say that this number hopefully is a reflection of two things. I think it's a reflection of our geography, but it's also a reflection of what we consider to be a good balance for us. Some people want to build wealth for very different reasons than us.

My wife and I met with my business partner. Jennifer Morimoto is my business partner and my wife. That's a separate conversation. We can always go there. But we don't necessarily want to buy a jet. We don't need to go have a lavish, huge mansion. What we would like is geographical freedom to live wherever we like to live eventually with our children, once they get a little older. Then we'd like the ability to not stress. We want to take the money question off the table.

So our freedom number monthly is I would call it around probably eight grand flowing in monthly would be great, full passive. Of course, I'm never going to just sit around on a beach. That does sound super boring. I would like to take vacations like anybody else and go scuba diving and all that good stuff. But I would be very much like to have a reliable 8K. That would be great.

[END OF INTERVIEW]

[OUTRO]

0:18:57
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