

**EPISODE 1246****[INTRODUCTION]****0:00:00.0**

**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.

Don't forget to like and subscribe but also go to [LifeBridgeCapital.com](https://LifeBridgeCapital.com) where you can sign up to start investing in real estate today. I hope you enjoy the show!

**[INTERVIEW 1]****0:00:23**

**WS:** Our guest is Ben Risser. Thanks for being on the show, Ben.

**0:00:26**

**Ben Risser (BR):** Thank you for having me. I'm glad to be here.

**0:00:28**

**WS:** Can you describe a potential bottleneck that has happened, or happened recently or just something that the listener can also expect to come as well as they grow? What's a bottleneck that you all have had and had to work through?

**0:00:39**

**BR:** Cash management. When you're managing a single property, the number of transactions that have to be taken care of. We use QuickBooks online right now and just making sure that your team members are getting paid when they're expecting to get paid and investors get paid when they're expecting to get paid and all the vendors and lenders and complying with loan covenants and things like that. All that has to do with having a system in place where money flows freely and on time. At a certain scale, you can't do it all yourself and we're in the process of onboarding a vendor who's going to basically take the cash management and financial reporting aspects off of my plate and I'm very eager for that.

**0:01:25**

**WS:** I bet. So, you've been using QuickBooks and you've been doing that yourself up to this point?

**0:01:30**

**BR:** Yes. I've tried to use some online tools to do electronic payments, but seemingly, there are a lot of challenges that happen when you have partnership company structures and you have companies paying companies that have an interest in each other. A lot of these software companies have hard stops on those types of transactions because that's considered self-funding, but that's the way a partnership works. One entity pays the partners.

I don't understand why the industry hasn't adjusted to support partnerships, but that's been one challenge of streamlining those transactions is finding a way to have our entity structure, have the money flow through it, and do it electronically, so I don't have to write checks and lick stamps and envelopes.

**0:02:17**

**WS:** Yeah. It's nice to hear you talk about that though, and just the frustration, this bottleneck of this cash management, and how you all are moving forward in that and going to improve. You've got to jump over that hurdle to hire this new person, find them and train them, make sure all that's functioning and that process and system is working accurately. Once you do that, then all of a sudden, you're going to have probably a better system, a more accurate system, and more time for you to focus on other things.

**0:02:43**

**BR:** Oh, absolutely. The cash management and bookkeeping and all that is not my highest and best use. We've gotten to the point now where it's time to find somebody who is gifted in that and specializes in that. That's what we've done and we're excited to move forward there.

**0:03:00**

**WS:** Nice. Are there any other bottlenecks that you can share?

**0:03:04**

**BR:** Yeah. When you get to a certain number of assets on the construction management side, I would say, it can be challenging to handle things in Excel. Because one of the challenges is when you're dealing with a bajillion invoices a month, how do you know that every invoice is valid? How do you know that you didn't already get billed for those sets of appliances? Having a system in place that can catch those types of things does impact your bottom line, because why buy two sets of appliances for the same unit when you should have only bought one? If that happens too many times, or if a vendor either maliciously or not maliciously bills you twice for labor and materials, that will impact your CapEx budget and ultimately, you won't be able to achieve all the value-add that you underwrote to achieve.

So I had built a monstrous Excel tool that catches all that. Turned out, I was the only person that could use it. That's really not scalable, because I'm the single point failure there. We're

going through the challenge of trying to procure a software tool that works for the team. It can't just work for me. It has to work for the team, the people doing the work. We're in that process and just being able to handle all the paperwork and then the lender requirements, withdrawals, and keeping track of all the dollars and the integrity of the invoicing and the bills we're paying. That's definitely something that will show up once you reach a certain scale.

**0:04:5028**

**WS:** Yeah. It's hard to when you're at that scale, there are so many invoices, right? There are so many things happening. It's hard for you to track, "Well, did I pay for this already or not?" Even a vendor, they're invoicing so many people as well. It could be a legitimate mistake that they invoice twice. Then if you're trying to stay on top of paying those bills and you pay it before you realize that you already paid it, right?

**0:04:48**

**BR:** Yeah. Then once the money is out the door, good luck getting it back, because they've already spent it.

**0:04:54**

**WS:** Right. Yeah, it's been spent for a long time. Let's dive into maybe another scalable system or process that you've had to implement as you all have scaled. There are numerous people listening to I know that have maybe they've got their first deal or two deals and they're getting to that 2 or 300 units, maybe up to their 4 to 500 units or more and they're looking to create these scalable systems and processes as well. What's another system or process that has helped you all, or that you all have implemented because of the growth?

**0:05:23**

**BR:** Well, there are two areas. On the asset management side, there's having a system and process in place where you are able to collect the key performance indicators of each of the assets and measures that do basically a pro forma to actuals analysis so that you have your finger on the pulse of what's going on. If you're trying to do all that in Excel, what you end up with is a double-entry going on between Excel and your bookkeeping system. We were living with the pain of double entry for a while. We're pushing very hard to get into a system where it's only a single entry.

So all the financials and all that, it's all in the same tool that you're entering the data once and that you've got your pro forma in that tool and you've got your actuals in that tool and the tool generates the analysis that you're looking for and you don't have to enter that stuff into your accounting system. Then also enter it into a spreadsheet, or download it from your accounting system into a spreadsheet and then do all this data processing, which opens you up for the

error. Unless, you're a boy genius computer engineer and you can write macros that do everything for you, a lot of this is a little bit manual in Excel.

We're trying the best we can to get out of Excel tools, though you have to be careful that you don't get out of an Excel tool into a tool that's more complicated than Excel and it's taking up more of your team's time than it was in Excel. Procuring tools is critical, I think too long-term success. It's critical to your team members not to kill you, or quit.

I would say having a solid system in place to do pro forma to actuals, prior to acquiring your first asset is good. Don't just focus on the tool that allows you to get into the asset. Before you get in the asset, think about what tool am I going to use to do the budget actuals and actually do a proof of concept before you throw yourself into that.

**0:07:18**

**WS:** Is there a system that you can share with us that you all like, that you're moving to, or that you could suggest?

**0:07:24**

**BR:** Well, what we're moving to is a phenomenal bookkeeper and QuickBooks based on the reporting capabilities of QuickBooks. Right now, we're using a software tool on the construction management side that interfaces with QuickBooks. The goal there, once that software is fully implemented is all the Capex transactions are entered once in that CM tool and that CM tool talks to QuickBooks, and so we can do comprehensive financial reporting at the property management level, but also on the CAPEX level because our software is talking to QuickBooks.

You can put budgets into QuickBooks and then do budget to actual comparisons. We're getting there. We're in the process of implementing all this and we're going through the growing pains of getting this up and running. But it's easy to dream something up, it's hard to implement it.

[INTERVIEW 2]

**0:08:14**

**WS:** Our guest is Josh Sterling. Thanks for being on the show, Josh.

**0:80:17**

**Josh Sterling (JS):** Hey, thanks for having me, Whitney.

**0:08:20**

**WS:** Okay, well there's so much there we got to talk about but I go back through to – you realized the pain point of, "Okay, if you're going to grow and grow faster, or do bigger deals, you got to have more capital, right?" You increased your team, right? You added somebody that could specialize just on that and now, probably even lessened the burden on your plate, would you say?

**0:08:42**

**JS:** Yeah, absolutely, you know? To be honest, one of the things that I didn't like was going out raising capital. I've done it a little bit. I wasn't all that good at it and I really didn't like doing it. I'm much more of an operational guy. I'm happy to talk about and share what we're doing but the act of you know, going out and not everyone's going to say yes and I didn't really like that part of it.

So, I found somebody that had the connection and had the network that I think we needed to, to be able to present, really, these are great opportunities as you know, anyone who is passively invested in one of these deals knows. I had found somebody who is comfortable presenting that to a network of people and then handling that investor relation side which was just you know, it was something I wasn't necessarily great at. And something I didn't really enjoy doing. It's a really great fit.

**0:94:26**

**WS:** Nice. Yeah, growing your team, I would agree completely, you got to find people and you got to be able to bring them on board. Otherwise, you can't do everything, can you?

**0:09:34**

**JS:** No, absolutely not. You know, I'm sure you've heard it a thousand times but two minds are much greater than one or than the sum of one and one, right?

**0:09:42**

**WS:** Yes, I'm saying that personally as well, that's awesome. I'd like for you to elaborate though, maybe a little more of the transition and any pain points or growing pains that you can elaborate on, you know because you scale up fast.

**0:09:55**

**JS:** Sure, our traditional model was built on most small to mid-sized properties and some sort of a single-family. We developed an operation that was basically on mobile management operation. We could – you know, within a 45-minute radius of one of our what's now three offices, we felt that we could service any type of property.

Actually, the management side wasn't so bad as you know, once you're adding properties that are over a hundred units, they'll support on-site leasing, on-site maintenance, and whatnot. We actually found that to be a fairly easy transition. I think the bigger transition is behind the scenes now, overseeing those on sight offices and overseeing that team there and deciding how we're going to run operations that didn't fit into our normal systems such as you know, weekend leasing or such as you know, maintenance emergencies or things like that.

What ended up happening is we had to scale the team quite a bit in the back office, quite a bit more than I had expected originally. That came at a cost and you know, definitely a little bit of strain on the overall operations in the initial months of getting that rolling.

**0:10:59**

**WS:** Okay, overseeing the management was a pain point. Yeah, can you elaborate a little more on how did you fix that problem?

**0:11:08**

**JS:** Right, initially, as you might picture, you have a 150-unit apartment building, you're going to have someone in there every day, you know, leasing units, collecting rent, the office type admin stuff. Then you're going to have a maintenance person there. What we had taken for granted up to that point is our management operation is really a 24/7 operation.

So, at our smaller properties, at our single-family stuff that we oversee, if a call comes in on Saturday at five PM, we still have someone there to answer the phone, we still have someone there to receive rent payments, that dispatch maintenance. whatever they might do. At those 150-unit properties, you can't staff them 24/7. You need to have a backup to that. You need to have somebody who can be there to respond but also is not going to be on the payroll burning that property the whole time.

To come up with a way to provide those services and provide that level of service that we had become used to across the board but not burden the property with that amount of payroll and that amount of overhead was really the challenge. That's really where we had to work through updated systems that share resources.

**0:12:13**

**WS:** Okay, even sharing resources, was that a way that you all – it's helped to grow because now you can share resources, you already have. As you said, you already have the management model in place, sometimes, that's a burden.

If you're not used to – if you don't understand how to manage and you grow too fast, right? I mean, you're all of a sudden is all kinds of things happening and it's way out of control. But you

already have the management piece down, you already had a property management company, right? At this point, you're growing and experiencing that growth but now I guess you're having to hire more employees and now their overseeing has become more difficult.

**0:12:50**

**JS:** You know, from the management operation, it went from you know, really entry-level type and then a manager type role to really adding a whole other depth, a whole other layer of management so we could oversee those other office managers all about. Just add a lot of depth to the org chart.

That just naturally is going to come with growing pains.

**0:13:06**

**WS:** Yeah. Other than management, any other growing pains you can elaborate on?

**0:13:10**

**JS:** You know, the management and really the getting the properties on board was really the – I think the most challenging part, you know, I said earlier, I think there are three pillars any deal, there's the management, the operations of that which we just discussed. There's the deal itself and that's naturally a little bit of a challenge in this market, you know, in the last 10 years or say It's gotten a lot sexier, right?

So, there's a lot more competition for the same deal. But you know, I felt that we'll be able to find a sufficient amount of deal flow through either the connections we had or through the reputation we had from closing deals. I don't think that was so much of a struggle. And then you know, again, the capital that close the deal, that was a key piece that we really just put in place in the last year. I don't think we would have had the ability to raise the amount of capital we did had it not gone to that teamwork model where I divided up the GP split a little bit and brought somebody else in.

[END OF INTERVIEW]

[OUTRO]

**0:13:58**

**Whitney Sewell:** Thank you for being a loyal listener of The Real Estate Syndication Show. Please subscribe and like the show. Share with your friends so we can help them as well. Don't forget to go to [LifeBridgeCapital.com](http://LifeBridgeCapital.com) where you can sign up and start investing to real estate today. Have a blessed day!

[END]