

EPISODE 1255

[INTRODUCTION]

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David Choi (DC): What we do is basically take up a set of data, like if you're going after one real estate market, I don't really recommend going after a handful at once, focus on one, learn that market to what you do is you aggregate property-level data. You wanna go after the cleanest data set available, and each market's a little different, but you go after the cleanest data set and you narrow down exactly what you're going after.

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Whitney Sewell (WS): This is your Daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is David Choi. David, man, he has an amazing story that you're gonna hear today, you're gonna be encouraged, but you're also gonna learn a lot and you're gonna be able to find some deals. I think if you're willing to put the time in, David's gonna give you some tips today that's gonna help you to find your next deal, your next commercial deal. He's a seasoned real estate professional and serial entrepreneur, he's a CEO of Leverage Companies and is actively purchasing, renovating, renting, selling over 100 properties a year. He's also one of the founding partners of Leveraged Capital Ventures, a private mortgage origination company, originating over 100 plus million dollars in real estate bridge financing in its first year. And we don't even get into that today, but I did invite David back on the show because he has some skill sets I really wanna dive into around even hiring people, but also building that team that functions without you, and he's created some really good skill sets around that a lot of things like that. I know that helps all of us. But, today we're gonna get into some direct-to-seller marketing stuff that I bet that you, like I used to and many other people believe is only for single-family or small multis. Well, guess what, he's doing it for large multifamily and syndicating these deals. And so, you're gonna learn a lot, and I hope this helps you to find your next deal.

[INTERVIEW]

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WS: David, welcome to the show, I've enjoyed just chatting with you before we even started recording, I'm really looking forward to the conversation and you have some skill sets that I know

our listeners are gonna learn a lot from today, I'm really looking forward to it. But give us a little more about who David is. Maybe, why real estate? What were you doing before real estate, and then let's jump into how you're finding deals and even syndicating some of these deals.

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DC: Yeah, you know, Whitney, I gotta say, it's a true honor to be on the show, I'm a bit of a fanboy of yours, not a bit, I definitely am. I've been listening to your podcast for a while, and the work, the mission that you guys have, God's work and helping families adopt children, I mean, what you and your wife are doing is just absolutely amazing, so keep that going.

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WS: Thank you so much.

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DC: No problem, no problem. A little bit about me, I'm 27, I just turned 27 on February 10th. I started out in real estate when I was 19 years old, and so prior to real estate, I was your typical troubled, troubled kid, I was, man, I don't know if I should say it on the podcast. I was a big troublemaker; I was getting in trouble with the law. I was in school and in college, and I was on the Dean's list my freshman year, unfortunately, but the dean has two lists, one for the good students, one for the not so good students, and I really went and hit rock bottom when I was going into my sophomore year, and I had a big life-changing moment, my dad, who's a missionary, he said, Dave, I'm gonna bail you out, okay, but you're gonna read the Bible with me every single day. And so, I just not knowing God, not having anyone in my life, I took on the Word and it just became so real to me, and I was reading the story of David, who I'm named after, and it was just historian, psalms about his struggles, this roller coaster life, I mean, this guy, like the youngest child and the lowest family in the lowest tribe, and God chose him, and because of his heart, he lifted him up. And I embraced that and I said, "You know what, I'm gonna go ahead, I'm gonna give God everything I got." And I went from again, like bottom, I graduated 10th in the bottom of my class in high school, barely got to college, academic probation, arrest records all of my life, and you can look at me now, you would never think, right, but just struggled, struggled, struggled. And the moment I came to God, I was like, I don't wanna do this prosperity gospel thing, but it was a prosperity gospel moment, right? I went and got a 4.0 GPA. He turned my life around and I asked for wisdom. He gave it to me and he said, "You're gonna do real estate." So, long story short, got into real estate, I never looked back, I did one free internship after the next, one on BiggerPockets.

Went to every networking event. Listened to every real estate podcast I could. Read every real estate book I could. And yeah, about four years ago, I started my own business, partnered with Erick Panecki, who was on your show just a little while ago. We started off with a goal in mind to go private equity, but we didn't have the money, we had like \$5,000 each to our names and we knew we just needed to start getting the ball rolling. So, we started off like a lot of real estate investors do locking up deals, wholesale, and contracts, and making as much cash as possible to put that into real estate deals, and it just, we bootstrapped the whole business, didn't pay ourselves for about three years, and it just snowballed into what we got now, where this month, as of February 28th, we signed 21 contracts, new deals that we're acquiring and it's just rolling now.

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WS: Incredible, David, I didn't know all that story about you, but I'm so grateful you shared that, I think anybody who listens, knows that the Lord is my Savior, and I'm so grateful that you just shared that, and I think, man, that's what a testimony for what the Lord has done in your life. I just, I love hearing those stories. I love it when people are willing to share, I just think it benefits so many others, so man, just thank you for being transparent about that, all of us come from a background of some kind, and some may have encountered the law more than others, but we all struggled at some point, probably or another, but man, thank you for sharing. And so, you then knew that real estate was a thing, I mean that you were gonna move into. Tell me though, what gave you the confidence to push into real estate, was there something other than you said real estate was the thing, but was it just, you know, wealth could be built there, or was it you wanted to have your own business. What was it that kinda spurred you into real estate though?

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DC: So, I lived my life with the purpose of having fun up until 19, and then I realized that my parents gave everything they had to put me, my brother through college, that they would eventually need my brother and I to take care of them. So, my mom, who was busting her tail, 70-80 hours a week when I was 19, and I was asking God for wisdom, I came to the realization that I'm gonna have to retire my mother, and I just started working hard for the first time, I myself was working 70-80 hours a week, and I said, "Oh Lord, this is not the life I want to live." And so, I started Googling, had to retire early, had to retire early, and I came across BiggerPockets, started listening to some podcasts, and I said, man, there are people that come from the same struggle, they come from the same background. Didn't come from money, and they're building massive wealth, cash flow and financial freedom through real estate, and I said, "This is it. This is what I

gotta do.” And I haven't looked back since.

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WS: No, that's incredible, I love that. 'cause it can be done. It can be done. I didn't come from a network of millionaires or nobody in my family was accredited, nobody could invest even in our deals, I did not have a network of any kind, and so yeah, you can do it. I love that example and just how the transparency of somebody like yourself, I think that's so helpful to a listener who's kind of on the fan side, “Can I really do this?” or “I don't have these things already. I don't know the right people>” or all those limiting beliefs. Right?

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DC: You have no idea. I had someone just call me this weekend from high school, and he said, I've been thinking about real estate, but once I saw that you were doing it and you were doing it moderately successfully, I said, “Well, I could do it too,” because listen, if you knew me from high school, you know that if I could do it, you could do it. It's really not rocket science.

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WS: Let's get into some of your super powers or your skill sets that have helped you move so quickly, and before we started talking, you were talking about something that you have been so good at from the very beginning. And that's sourcing deals, and I wanna talk about that specifically because you said you're really good at that, but two, man, that's a struggle for everyone right now, is finding a deal. Finding something that works. I know it's a struggle for us. I was just in a large conference this past weekend, and everybody there is talking about they can't find deals. And so, let's talk a little bit about how you are finding deals and how you're making that contact with a seller that man, you used to be able to make that transaction and it'd be worth your time.

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DC: Yeah, no, absolutely. So, starting off, I was a guy in the game, very young, they didn't have any relationships, when brokers talk to me they would hear a young kid on the phone and they didn't believe what I was saying, so I had to figure out how to source deals direct to sellers and not through my network, no one was gonna try, I wouldn't trust me with a deal. Right? So, I had to figure out how to reach out to owners, ideally distressed real estate owners, I started off with the one to four family, and that same data-driven approach, we copy and paste it into tons of different

verticals and have had tons of success. One on the real estate lending side, and now on the apartment side, and so what we do is basically take up a set of data, like if you're going after one real estate market, I don't really recommend going after a handful at once, focus on one. Learn that market two what you do is you aggregate property level data, and people like to go on CoStar or people like to go on Reonomy tax records, there's a handful, there's PropStream, that is pretty good, but you wanna go after the cleanest data set available and each market's a little different, but you go after the cleanest data set and you narrow down exactly what you're going after it. And if you do enough stress testing, what you realize is that even the cleanest data isn't so clean. So, what we do is we take that data and we start layering it with what we call trigger data or motivation levels, so we have a little proprietary blend of what we know is gonna be a motivated seller. We take tax liens, evictions, lis pendens, you name it, we're layering on 300 different things and we're scoring just how motivated someone is to sell their property, and that's how we budget our marketing spend, right? So, whether it be direct mail, we literally have door-knockers. We'll have someone go out, knock on a door and talk to an owner and say, "Hey, we know we saw this property, we love it, we reached out to you over text, call, email, direct mail, and couldn't get you. And that's why we're showing up, we really would love to make you an offer for your property, are you in the market to sell. So, depending on how motivated and what level that seller is at, we're going after him direct, and it works. There's a lot of ways to get deals, but that's been our bread and butter and it's been pretty fruitful for us thus far.

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WS: You talked about learning the market, and I wanted to ask like, are you doing this just local to you, or are you doing it at a distance as well?

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DC: Yes, so we have successfully entered other markets, what we noticed was that when you start pulling into too many markets simultaneously, you're gonna distract your team, you gotta learn new valuations, you got learn new neighborhoods within each sub-market, it makes it incredibly difficult for your acquisition team to sift out the not so good deals and focus on the good ones, so right now we're primarily focused on Northern New Jersey, we plan on really, really penetrating this market for the next year and then moving into another one, but right now it's just New Jersey.

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WS: Okay, tell me, if you're focusing on, obviously the listeners are obviously we're focusing on in syndicating deals was talking about maybe some of your larger projects, have those been different to say, using this type of method to find those deals versus say, finding the single-family homes for a smaller multifamily?

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DC: You're asking if this marketing approach is just as fruitful?

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WS: Yeah, if you're method to connecting with the seller has been different for your larger deals versus say a single family or a smaller multifamily.

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DC: Yeah. Oh, the messaging is completely different, right? Like you're going from empathetic, I'm here for you, I'm here to hold your hand. We're working around it, it's a heart-felt approach on the residential side, but when it comes to commercial apartments, all they wanna know, well, they wanna work with someone, they like number one, but they wanna know that you're legitimate and that you could close. And so, the messaging is completely different, completely different website, completely different everything or mailing pieces are completely different. So yeah.

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WS: Talk through a little bit, some of those steps to find the larger properties, what's so specific, maybe even how you're finding those sellers, what you're doing, building that list, we all hear about building that list and you talked about finding the cleanest data, maybe some tips too and how you're finding cleaner data for those types of sellers, and some of those steps of how you're marketing to them.

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DC: I'll give it to you guys clean, a lot of people want to withhold the information, I'll just give you guys, I'll tell you exactly what I do. Typically, depending on what state you're in and what county there's gonna be tax records, like downloadable Excel sheets, and they'll give you a property class. It really depends on where you're looking, but New Jersey specifically will give you property codes and information like that, and what you wanna do is stress test that against different list providers, right? Everyone's using the same list providers, but we found that New Jersey specific,

PropStream was the cleanest one. And so, what we did was we took a day to save, say apartments, okay. Let's take a look at how many apartments, they're saying that there is a New Jersey compared to the tax records, which is 100% accurate, right? Let's try it for another asset class, let's see, how accurate are their 50 units, if I'm putting a 50-unit minimum on PropStream, how many do they give me, is that accurate? Yes or no. And we found that if you look for a minimum requirement on PropStream, it won't give you accurate information because then we stress-tested against CoStar found that CoStar had more 50 plus you than PropStream was indicating.

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DC: So, what you wanna do before you go all in on spending thousands and thousands of dollars on aggregating skip tracing and sending out mailers, I spend 20-30,000 a month in marketing. Before you go ahead and go crazy, it would be prudent for you to figure out what data set is most accurate in your market and take that 20 hours, 30 hours of research before going crazy.

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WS: So, finding the data set that's the most important in your market.

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DC: Yeah, absolutely. It's all market-specific. Sure, definitely, it's market-specific. Definitely.

0:15:28.2 WS: Maybe speak to even helping us think through that, you talked about scoring the motivated seller, maybe help us think through the data that we're pulling, also. Give us some tips of scoring those sellers, so we know we're spending time on the right people first.

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DC: I'm not coming up with anything special. I listen to just hundreds and hundreds of podcast and took bits and pieces of what everyone else had to say. I'm not doing anything special, I'm just doing it consistently. The best ones I found are lis pendens, so any time there's a seller at least and make three payments to the mortgage company or they don't pay their taxes, they get a notice of lis pendens saying, "Hey, pay up or foreclosing." So, those have been really good. Share sales, you're gonna get a few far between, and anything going to auction that's still owned by the owner and hasn't been foreclosed on by the bank, those ones are super, super, super motivated. Inherited homes, inherited properties like probates, divorcees, evictions, like I said, absentee

owners, there's so many different ways, but, age, you wanna take a look at age groups, demographics, if they live in-state, out-of-state, if they have a degrading credit score, I mean, I could go on and on and on and on. The key ones I would focus on and have, there's pretty much, tax liens, lis pendens, share sales – focus on those ones right now. If you're just getting started, those ones, they have yielded me the highest returns.

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WS: Tell me about how you're connecting with that seller, you're mailing them some type of direct mail, you're calling them, you're texting, whatever you can do. Maybe go through some of those steps and even how that direct mail piece may be different for this commercial-sized piece of property versus single-family home.

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DC: You're really doing everything you can to get in touch with these gold mine properties, they have a high motivation to sell, you know that they've hit three or four different trigger data points, like they're in foreclosure, they're going to auction, they live out of state, and they're like 80 years old, like, you know this person, he wants to sell or he doesn't even know that he's about to lose the property, so I haven't done this yet, but one of my friends from my Mastermind, I said literally a bag, like a ginormous bag of paper filled – cash, like Monopoly money. It's all yours. We want this property. Please give me a call. Like you start small with a postcard to bigger, bigger, bigger, bigger, bigger, bigger, bigger, but eventually they will call, and the key is, is there's registered agents, and then there is principal owners, and sometimes a registered agent, and the principal owners are LLC's, sometimes you gotta dig past that layer again, right? So out of 8,000, maybe 2,000 properties or registry agents and principal names are another LLC, so for that 2000, those are the hard ones. This is the layer that no one else is going through, right? So, for that layer, you go again, who is the principal owner of the next level of LLC's, who's the principal owner of the register agent, and then now you have the direct mailing address, and so taking that extra step really gives you that shoes that you need to be competitive.

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WS: No doubt about it. It's doing things other people are not willing to do, right. (**DC:** Exactly, yeah.) that's how you're finding the deal, sounds like. But tell me about how many times are you following up, how often? What's the sequence of that?

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DC: On the calling side, I like to call them twice a month, I'm calling from a different number every time, I'm completely TCPA compliant, so don't come at me, I'm a compliant compliant. Text message, right? Twice a month, I'm sending out a mailer or once a month, and if all those layers don't work out, I'm doing pay per click digital ads. I'm, quite honestly, I'm not a digital ad guy, we have someone in my department that knows what she's doing, they're running that. We even have a person or office who has built online billboards, so we're like, we just put it on their home owner's address and they'll get hit on while they're playing Angry Birds, they'll see leverage, just like it's depending, just again, depending on how hot that property is and how badly we want it, we'll put a couple of bucks behind it, but yeah, mailers, you don't wanna do more than once a month. I know people do once a week. Don't do that. Once a month is sufficient. Calling, you don't wanna call them every day, they're gonna hate you. Texting, keep it simple. A lot of times when people get in the marketing direct to marketing direct to sell our Marketing Space, they over-complicate it. Keep it simple, stupid. You would just keep it really simple. You call them once a month, you text them once a month, you send in the mailer once a month, and if you really want them bad, go ahead and go find them and go knock on their door. Right, and if you do that consistently enough keyword, you're gonna get deals.

0:20:22.0 WS: And scoring the properties probably helps with that too, right? The property's gonna score the highest, you might be willing to send that back of money too. Right? That's interesting. I don't know much money was in that bag, but that would definitely get somebody's attention. Right. What about some just some ratios, like number of mailers versus actual closes, maybe what do you get now, or do you know what should somebody expect?

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DC: So, I'll just say this, most people's bread and butter are mailers, my highest return on advertising dollars is my cold calling. I can speak on those numbers like the back of my hand, so if let's say if I connect with the 100 people, and I'll connect with thousands, I mean like thousands of thousands of people a day, so if you make a 100 calls, you're gonna get two people that say they're interested in receiving an offer, two to three, depending on how good, your team is. And then for every 50 people, every 50 people that say, Yeah, I'm interested in receiving an offer, you should get one contract signed, and then in New Jersey, there's attorney review,s so depending on how tough the attorney is, we're batting about 70%. So, if we get 10 deals signed after the attorneys get involved, will actually only walk away with seven, and then after we get seven will do

due diligence and we'll only close on about five, so it's a big numbers game.

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WS: And you know that. So, it's like, well, how many do we have to send? Let's just write, and then when can we double it? Right. That's awesome. Yeah, I think there's, I'd love to have you back and maybe we talk about your team a little bit and building a team and some of the things you've done, the one thing you mentioned before we started recording, was like, building that team that functions without you, and that stands out to me, I think it stands to most entrepreneurs, but I'd love to have you back in us talk about that specifically. Some of the things I noticed about, you talked about building a good and growing or helping good people and building a good company, right. With your people or your employees and platforms, things like that, so do you have any predictions for the real estate market over the next six to 12 months?

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DC: I don't have a crystal ball, Whitney, anyone that says they know what's gonna happen, the people that are most confident they're gonna say that the world's gonna end, and they've been on the sidelines for 15 years, so I would say that at the institutional private equity real estate firms I worked for, the billionaire bosses I've talked to, I've called them and said, What do you think? They say, Dave, you can't just sit on the sidelines. But what you could do is you could adjust your underwriting assumptions, right, if you previously model that fifty basis point expansion, last year on a three to five-year exit, bump it up to a 75 basis point spread. Right? Just get more conservative if you assume rank growth X, take that down a point, right, if you assume a four to court interest rate bump that up on your exit, so just get way more conservative on all your assumptions, and if it still ties out to worst case scenario, your LPs receiving that 15% to 18% IRR target. Go for it, but you just gotta be a little bit more selective on what you're willing to do when you're dealing with your friends and family money, it's a little bit more scary than dealing with your own money, so just get very, very, very conservative. That's all.

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

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DC: You know it's interesting, it's all friends and family. At this point, I really didn't like taking other people's money for the longest time, and my friends were with begging like, Let me get in, let me

get in. And we just started opening up the doors on the lending side and on the real estate side, so it's just been like the reputation of doing well by other people for as long as we've been around, and it's just friends and family, but one thing interesting that I've learned is from this one, private equity companies, is they have a call center that I'm looking into, they built a call center targeting high net worth individuals, and they raise 50 million in four years, so you could raise capital any way you want, it's just, if you run out of your own network, there's ways so you can raise the capital.

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WS: That's interesting. What about some daily habits you're disciplined about, that's helped you achieve this level of success, David?

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DC: It's the morning routine, like I woke up at 4 AM this morning, I had a stomach virus. I still went to the gym, I still journal my gratefulness, still prayed, I still whined off, I still took that ice cold shower, I still got here at 7 am. It's that morning routine. It's tough when you're an entrepreneur, you're working a lot, a lot of hours, you gotta stay grateful, so that morning routine and just staying grateful, and I know you and your wife get up in the morning and spend time together, I think that's the key at miracle morning.

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WS: It's been crucial for me and so many others I've interviewed, just hope the listeners are thinking about that, if they've not had spent a little time structuring some kind of morning routine for themselves, what about, David, how do you like to give back?

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DC: That's one thing that I just love doing. My father's a missionary, so he's just been like pushing God's Word into my life since I was young, even when I was a little rascal, and when they say you gotta manifest your future, I would manifest, I wanna think about all the money I would make. When I set my monetary goals, I would see the amount of lives that God's gonna change through the work that I do, so it's been a huge driver of mine currently, we got a department called leverage cares, and we're serving the youth of New York. And that's where we operate out of financial literacy, just sitting down and do a couple of hours of homework with some of the kids in the projects that they don't have anyone to help them, and instead of giving them the answer is,

be like, you're gonna learn today. So just spending time with the youth and hopefully you can't change every life, but if you could change one life that has a domino effect, so, yeah, serving the youth is our current mission.

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WS: That's awesome. That's changing generations, right? You can't measure the amount of change that can be done when you're helping youth. But, David, thank you so much for being on the show. I'm grateful just for your transparency and your story of maybe some rough times in college and whatnot. But maybe the turnaround. Right? I believe only the Lord can do, right? Just, congratulations on your success and what's happened, and I appreciate you sharing all these details about how you're going direct to seller as well, 'cause I think there's a lot of myths even around that as far as, well, we're in commercial real estate and those things just don't work. You're just blowing that myth out of the water as well, so grateful to meet you and happy to have you on the show, and I still like to have you back and let's talk about that team building that you had talked about that functions without you. I love things like that we're doing trying to do the same thing, and so I'd love to talk about that on the show with you again sometime, but thank you again, tell the listeners how they can get in touch with you and learn more about you.

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DC: Thank you for having me on Whitney, I'm a fanboy of yours. You're an absolute killer. Guys, you could contact me, David Choi, davidchoi.biz, that's my personal website. I actually have a podcast, Whitney, I would love to have you on, it would be an honor to have you on my podcast, and I know people don't usually do this, but you could reach out to me directly 201-973-7029. Anyway, that I can add value to you guys, please feel free to give me a text, give me a call. I'm looking forward to it.

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