

**0:00:00.0 BRUCE WUOLLET:** And when I got into the multi-family five years, six years ago, we were doing getting in in 18 to 36 months, and one of the things that I realized, especially at knowledge really a hot market to get in, get out.

**0:00:15.6 WHITNEY SEWELL:** Are you buying for cash flow, are you buying with a long-term hold Business Plan, is it 18 months or is it seven to 10 years? Well, our guest today, Bruce Wuollet, is going to go into what he thinks about that and why he thinks you're gonna be successful one way or the other, he's a founder of Visionary, current owner of bakers. On the proven track record of success are out Baker, since nearly 20 years in business with thousands of individual units repositioned and sold, Bruce has overseen all aspects of the business, including operations, acquisitions, project leadership, Equity Fund Management, property-specific syndication, legal finance and more. I enjoyed this conversation with Bruce, like there's a lot of talk about how long as an investor should I expect to hold that project for on the active side, but also as a passive investor, now, do I wanna be in that deal that seven to 10 years or longer, and I'm not be able to get my money back when that... How should I feel about that? And Bruce and lays out some pros and cons to that that you need to think about whether you're on the active side of our passive side, you're gonna learn a lot by thinking through that, but I also unexpectedly we got into some of Bruce's daily habits and daily routines that I was very impressed by, and he has something he calls a 1531.

I've never heard of this before, and I'm intrigued by it. I think you're gonna learn a lot from that if you will stop to think about what he meant by he lays it out 11531, I think it's gonna be something I may try very soon. And I hope you will as well. Bruce, welcome back to the show. I know you're a repeat guest and you were on show number was 336, which was quite some time ago, September of 2019, so welcome back to the show and in a lot's happened since, but there's some things right now that you're working through that you were speaking to a little bit before we got started about investors are hungry to get in and out of deals quickly, and I wanna just hear your thoughts on that because you're focusing a lot on why that may be a problem, and especially in our current economy, things that are happening well, let's jump in. Why is that a problem? And why are you focused on that...

**0:02:20.1 BW:** Well, thanks to get for having me on, and I'm really excited to be on your show again, so we've been in the syndication were operators who syndicate, so we operate first and we syndicate some deals, we do most deals we do with something we don't ever... Operators first, and when I got into the multi-family five years, six years ago, we were getting in and out in 18 to 36 months, and one of the things that I realized, especially right knowledge, really a hot market to get in, get out Arizona's market is insane right now, what the people of profit taking that's going on and it's really exciting to see. But the challenge I have is, and I've asked a few of the investors that consistently put the sponsors out of work, and that being said, at some point with the market shift right now, at some point we're gonna have where people aren't gonna quite realize their numbers and there's gonna be a little bit of a panic at some of these operators and the investors, and so our goal, and we can dive deeper if you'd like, but our goal is to buy for longer hold and buy cash flow and weather that storm and then sell when it's right for us to buy something else as opposed to trying to time the market, we're seeing interest rates going up, and a lot of that will be covered in the short term with some of the equity costs are dropping still, which is make you a...

Cover that gap and then also increased rents significantly, we cover a lot of the increase in cost to loans, but at some point we're gonna have a squeeze on... Yeah.

**0:03:32.7 WS:** Please dive in even more and why that investors should be thinking more long-term versus wanting to get their money out quickly, or maybe some myths that you see that are commonly believed by investors that are willing to turn that... Do over

**0:03:45.7 BW:** Quickly, I'm not gonna have prognostic ion predicting the future, but I do know that markets are cyclical and at some point we're gonna have a pull back... Is it it now we're 2025 or 2030? We don't know, there's many experts out there that have their crystal ball that they're telling where it's going to be, so I think we have two to three more years of this, but when the market shifts, let's say we're at an uncertain market, more uncertain than it is right now, as far as interest rates, and we see and you need to refinance or sell, it's not a good time to sell 'cause the market's jeers, you gotta finance with the lender is gonna say, Hey, I'll read finance, but you need to bring some more money into the table to get this loan, we're not gonna do a 7% or 80% LTV, we'll do a 65 and the new LTV because of cap rate expansion, you're gonna be stuck with a property and our stock of the bad land that you need to get out of because it's to... Let's say it's doing three years and you gotta get out of that loan and there's no exit in, this should bring more capital in, so what if you've planned longer than that, let's get in over the next two to three years, maximize the value of the property and they go for a refinance and then hold it for the next seven to 10 years...

Yeah, so mini just safety nets around being willing to put that timeline out longer.

**0:04:52.7 WS:** Are there any ways that maybe you've seen other operators actually get in those predicaments, like you're talking about, or maybe some things that have helped you to improve your game a little bit and to build this thought process of, Hey, let's think long-term versus short-term.

**0:05:05.7 BW:** I do... I just think about any specific examples, I've been real estate since 2002, and it was in Holies, then we got in to Malta family, what? Five, six years ago, and if you look at what happened in 2010-1112, those people that were buying in 6070, and he ended up having four closures in 10, 11, 12, and things were on sale, and so if they had had better loans, they could have weathered that storm, my mentor has 53 years experience in multi-family investing, and he buys cash flow, he does not buy it does not chase equity, does not chase Agnes equity in forest equity where you can do value add, but it is not cheap. Precision, and you said you get appreciation, but he doesn't pursue that... He's looking for cash flow. So I feel if you can buy cash flow today and the market shifts, you just gotta buy right and be conservative and then you can hold it longer term, 10 years, we'll be in a different cycle...

**0:05:58.8 WS:** No doubt about it. Yeah, you mentioned it. I think it's interesting, you gotta be around people that have experience like that... Right, more experience than you do. That's 50 plus years. That's quite an accomplishment. And so speak to finding those properties right now that are cash flowing, I love that you're buying for cash flow, that's one way we also reduce risk 'cause we want properties that are cash flowing today, and so how are you all finding those properties today that are cash flowing

**0:06:25.3 BW:** Well, we're not find that in Phoenix right now at Phoenix, people are buying on... Proforma is selling up pro forma. And to me, that's quite dangerous. Is it exciting? Sure is a big money in it, absolutely. There's big money, people are making really good money right now, but it's not gonna last, and that's what concerns me, so where are we buying cash flow, we're buying... We have a property, and Sir Vista, which is Southern Arizona, a small market. We have an apartment in Albuquerque, and now we have one that in escrow that we're close, not here in May, in Fort Worth,

Texas, and we're able to buy those four, the cashflow in day one, which is really, really exciting. But not in Phoenix.

**0:07:00.1 WS:** You mentioned Pete, folks buying and selling on pro forma, would you just speak to what that means? I know we use that lingo in our industry a lot, but just for the listeners that may not understand what that means a little bit, what do you mean when you say buying, selling them performance, there's

**0:07:14.0 BW:** Actuals, which are actual income and expenses, and then people... Project is say, Hey, if you raise the rents 150 per door, it increases value by Act, and therefore all you have to do is get that to act to get your tap rates if you want it... Let's say you want a stabilized cap rate of six, on actuals, it might only be a two and a half or a three, so you say, Hey, if I get it to this level, then I can be at a six cap, then I have good returns for my investors, it's a stable property. And then when they go to sell it, they haven't even reached six, they might be at four, and they've done a little value-add, they've created some value there, and then they sell it again on it, Hey, you can get to do a six cap by doing ACE to five and a half, whatever that number is, or they say rents have all performed what we had projected, which is happening right now, and so they got to cap all of a sudden a six is even a bigger number because the rents are doing better

**0:08:00.4 WS:** And I appreciate that, I just wanna make sure listeners understand and then... But you mentioned you're finding deals, that sounds like you're going to different markets then where you maybe were typically buying, speak to what other types of markets are you looking for, what's specific about those markets that made it worth your time to go and investigate and find a deal, and then we'll dive in a little more.

**0:08:20.7 BW:** The markets that we like are 750000 emesa and higher, I started in Phoenix, they did most of our projects in Tucson, which is about a million MSA, so we're looking at SEL Lake City, Albuquerque and Dallas, Fort Worth is a little bit larger than that. They're like 10 times that or 75 million, I think, in their MSA. So it's a huge Metroplex. The reason we like the fws, 'cause there properties that do fall through the cracks or finding those, and by saying this, people will probably do some more searches on it, but if you wanna be under 100 units is 60s and 70s build, there's less competition. There's very little competition, but if you get 80s build and newer and it's 200 units not, there's a ton of competition for those, so you send you to carve out, but each to you want and what market level, our property level do you want... We're not afraid of the CC minus, we keep it in the sea, that's another thing we do is we buy see properties and we maintain a sea, but we make it a place that say, functional durable and clean. So

There's a thought right there, I speak to your business plan of going in and keeping it as a C, everybody hears what we're gonna improve it, we're gonna take that CS to be minor, whatever, but talk through the business plan of, Hey, maybe we're gonna see location but we're gonna keep this property, so... But we know just by improving what we have here, we're still gonna have a better property or a better income, or... What are your thoughts around...

I believe, and I'm pretty passionate about this. The most under-served population is the lower... There are demographic is the lower middle class, in the upper lower class, it's a growing and pretty large group of people, but in major cities, they're having a hard time affording to live in the places they work, so can we really focus on not trying to hurt those we're trying to help now, we will push rents to market, we buy a property that's at 750 and we see market as comps are 950 per similar

property, we're gonna push to 950, we're not gonna be foolish about on the business level, and... Well, it won't cause some people to have to move out, but if you buy the least desirable property in a stable neighborhood, the individuals will have to pay their rent or move, and there's no place else to move 'cause we move it to market, but we don't push it beyond market, we don't create the BV properties or Metro. She's nothing around with that business model, that's a good business model, it's just not my business model, but the focus again, is lower middle class, upper lower class self-paying residents, we don't do a lot of subsidies, I try to do less than 10%, less than 5% subsidized renters.

There's nothing wrong with it, again, I know people that do Section 8 and they do phenomenal, it's a great business model. Again, it's just not my business model, let's come back to the longer pole period a little bit, and I wanna to talk about like when do you know it's time to say you're thinking through long-term holds, but when for you... Is it time to sell? But since we're shifting from the 36 months to the seven to 10-year-old, I have to rely on other people that have done... In that world. So my mentor says that they sell, not on its right to sell, but if they have something else to put it into... So he has a fund, so they do a lot of 10 31, or they get a fund that they'll extend for another 10 years, they have a fun that they bought properties and so they move properties in and out of that, but it's time to sell, if you find something else is, okay, this is a property that you could really capitalize on, and one way to do that free up capital is to sell this other property where we already maximize what we could do, if we can sell a very stabilized asset to a...

Another investor buyer that just wants another hold for cash flow, and so then you would do it at that time, but to sell only to bring in cash is something we're shifting away from a long-term hold, speak to how you're projecting that, how are you... Is it just always say seven to 10 years, or is it deal-specific, is it just a specific business plan you're trying to stick to it, is deal-specific. So the 10-year-old, we've looked at what things have done, they can Dallas Fort Worth where the market has been for the last 10 years, and project from that, we've run in some partners on that one, the one we're buying it, 152 units. And they said, Your numbers are too low. And then we talked, since we've been in scope property management company has already got our stabilized rents in place without doing the value add, so we know our numbers are low, but it's really difficult to do a 10-year projection because one of the rats do at the 4% increase over the course of 10 years, is that... Can be right or wrong. I know in Phoenix people are saying we're gonna have a 10% increase each year for the next three years, and I don't know that that's sustainable, but we'll see...

And they could be right. It is very difficult to project then, it is a dark... It's an educated dart, obviously is not plea guess, but we look at what is the past and then where is the market going in the neighborhood as the Negro going... Is an ER going up or down? Right now is another thing we looked at

On one thing you had mentioned before too, in the documents you all was like preparing for the change in the winds, I speak to that and what you see coming, and then obviously we're gonna dive into how that's changing, what we've been talking about we're already, but how that's changing what you all are doing, what do you see, you're preparing for the change in the winds, what do you feel coming...

Well, you see some great uncertainty, and this gets a lot of technical, a lot at diving into the financing side, but Bridge DET was... We first, in January, we could have got what, 375 rate and 66000 cap where you would cap your interest rate at 2% over... So if you get a 375-year rate would

never go about 5, 7, 5, if it does, then the insurance would kick in, that was about 66000 to buy that cap, and then at the end of March, we ran it again and it was at just over four and it was 382000 to buy a 2% cap, now would be put in at just over 6... Well, we got it locked in now. Just over four, and it's gonna be, I don't know what the actual cap number is, but it's over Undergrad to buy that cap to that insurance policy, but what... That uncertainty we're seeing the... The Fed's gonna raise their rates. That we have inflation that is, however we measure it, it's a little bit out of control in certain segments, Arizona's at the highest inflation in the nation, at over 10%. And we see it everywhere.

Food costs are going up, so the changes that I think that people need to be very conscientious as I see people raising rents, I see people adjusting for the interest rate, what I don't see is people being fair or report on the increased expenses. We're gonna have an increase of expenses that I do not see in some of the other performance, not saying they're not doing it, but in the projections, I'm looking that they have not increased the rents are the expenses at the same rate that they increase the rent and I believe that I could come back and bite them when it comes to the actual operation, so I paused to really look at Costa materials that cost a labor... 'cause rents are going up in patient calls up, inflation goes up. What goes up last or wages, right? If you think about that too, that you'd have a pedantic and Theodore-ers coming in at the rate that you would hope that you would like, but biggest thing I see increases in their interest rates and the increase in expenses.

**0:14:46.5 WS:** So buying a project right now, you... How do you prepare, or how are you prepared for that downturn, that unexpected thing that's gonna happen, let's say there's a down-turn in a pandemic, whatever that may happen. That's unexpected. What does that look like when you are in writing, you mentioned you're counting for an increase in expenses, and I agree we should be accounting for an increase in expenses, and so... But what does that look like for you all specifically to account for a potential downturn, something that's unexpected six months after you bought the property or a year, something like that.

**0:15:17.0 BW:** Well, having a sizeable reserves, it's good to the Reserves, and the lenders are gonna require you to have the liquidity reserves anyway for your debt, but one of the things that we're gonna do, and it's a little tangent to what you just mentioned, but I think it's important to know is we have the supply chain issues right now, and that's an ongoing challenge for supplies, so let's say you're gonna remodel our update a unit and you're gonna go from classic to new updated and you're gonna bring in new cabinets, countertops sinks and apply and says what we're going to do is we're gonna make sure that we have all those supplies in place, so we're not missing, this is a shortage of sinks, well, now what are you gonna do? Or there's shortage of microwaves, or there's a shortage of ranges or any other appliances that we ought to make sure that the unit applied before we demo and remodel it. Well, we miss something. Life's gonna have... There's some guesses we'll get right and some we won't, but the biggest thing is I make sure you have those cash reserves and you have a good backing for covering the downturn, Dan, keep the units at occupied as full as possible over the next few years.

Keeping me 90 plus it'd be very important.

Sire reserves, I cannot agree more. We're all gonna sleep a lot better when you have cash in the bank, right? What is it? There's another guy who's a big business man, not in real estate, that big entrepreneur, most of us would know, and I've heard him say, without cash or Your Business crash. Right. And so how do you measure that? What's sizeable? Do you have a way that that would help

the listener and myself to think there, you know what, oh, I know it's very property-specific, but still, is there some way that you would help us to know, You know what, this is a good sizable reserve budget or an emergency fund type...

Well, the lender requires 10% of your loan and reserves, and if you do six months, at least six months of expenses and reserves, to me, that feels safe as long as you can keep it occupied previously. Talk to you, we're doing a very heavy lift, we are vacating the property down to 10% occupied and bringing it back full, so everything for us is, is a total of shift because you're not finding those deals out there, and I don't know that those... We got one huge heavy lift for doing a motel parent conversion, which we're going through what we call the valley of death right now, when we're eating up the reserves and the interest payments, hopefully start filling units here in May, but that makes you Packer a little bit kind of concerned about whether or not, how long you can weather that, so you gotta have those reserves in, but having six months of expense reserves on top of your research required by the lender, it seems to be a pretty fair number as well as your construction your construction reserves. Now, what the actual percentage is, I guess I don't have those at the top of my head, but it just pays to have...

It really feels like six months, 10% of your land, six months cash reserves for your expenses to be pretty stable.

**0:17:47.7 WS:** No, that's awesome. Oftentimes, not everyone can say, This is how we would like to look at that. Or how much we would like to have. So I appreciate that. What about a challenge right now in your business that you're facing.

**0:17:57.9 BW:** I think I'm the only one, but it's hard to find deals and we can... We can spend all day on that. So one of the challenges in ideals, we all know that the increased cost of lumber, electrical wiring and things like that is insane how expensive that's become, labor has been difficult to find and difficult, the wages are gonna go up, and I don't know what people are accounting for the increased wages, that's one thing that we're gonna see a spike 'cause as inflation goes up, wages are to follow up, what do you find the deal, getting the loan together, getting the equity, getting that together is pretty reasonable about getting... Making sure you have all the materials in place and the labor is still a challenge. Yes, I speak to a couple of techniques you're using right now to find bills other than just going to other markets, I don't know, I just making a lot of offers, looking at it, a lot of deals, and one of the things to do in a larger market it's really fun to find the smaller players, the people that don't do or not the... The CDR and Marcus and Millicent, some of those North mark, those large brokerages, they're gonna take those properties to market, and we don't buy on market if it's on market goes to bed, we've never won a bid anymore, so one of the things we've done is as we're entering Albuquerque, we find a small broker just says a couple of deals a year, a few deals a year and makes a pretty good living on it, a solo printer kind of...

And same thing now in Fort Worth, Dallas forward. We work for the brokerage that's brand new, they've got four brokers, they just got their first listing that I can have the marketing power to get a lot of people look at it, so hopefully we can find a needle in a haystack that way...

**0:19:16.9 WS:** What's your best source for meeting new investors right now?

**0:19:19.9 BW:** Referrals. Referrals is really where to go, we've done a little bit of LinkedIn, but I'm not very active on social media in the pandemic, had I danced everything except for LinkedIn, I get

that, but most of us just referral and just smile and dial, calling friends and family and expanding from there, one of the things we're doing now to a JV, we're partnering with another group and they're gonna bring in a big chunk of equity, so that's gonna be fun to see how that works.

**0:19:41.5 WS:** What about some daily disciplines that you have that have filled the hash regard?

**0:19:45.4 BW:** Well, I'm pretty particular, so daily rituals are very important to me, I do the first hour and last or every day I read, and I try to average a book a week, I think I did 44 books last year, and I have topic-specific... If I do a 11531 in each quarter, I pick one goal I'd like to achieve and then one skill needed to review that goal of five books that I'm going to read to learn, improve that skill, and in three audio books, and then one mentor, and I do that each quarter, so they book in the days that way to start the day, read for one hour. I try to get out anywhere from five to 70 days a... We got in the Mountie in Arizona, we have favorable weather, it can get out almost every day, and so I do that for 40 minutes to an hour, and then get the office... And I block out 90-minute blocks of time. In those 90-minute blocks are uninterrupted, so there's no email, no tax, nothing, I'm working on something for 90 minutes, I could be phone calls, it could be working with investors, could be underwriting a deal, a block those out throughout the day, and then when I sat up in the evening when I go home, I shut the work off and I spent fully present at home, which is very difficult, very hard to do when I used to have a home office.

**0:20:45.6 BW:** I said I'd worked from home, my wife said that I lived at work, so I'm learning to shut it off in the evenings, once I get home, phones are away and fully present. It's not easy.

**0:20:54.4 WS:** That's great advice. I love the structure, and I'm learning more from different guys that have similar structures in... I'm gonna go back and listen to that part. You just said that again, but I love the first hour, the last hire of the day you're reading, but even the intentionality of like every quarter there's something that you want to learn and you're gonna mark these books ahead of time to learn that skill set, but you also mentioned a mentor. So you have a different mentor? Or every quarter, is that right?

**0:21:19.5 BW:** Yeah, and my mentor that I helped me previously and setting up long-term business, so I worked with him on working with the investors and capital raising, and then presenting, I had to do posthumous, I followed a to-do pre-studied Steve Jobs for three full months. I've watched hundreds of hours of interviews and presentations, and how I could create a better presentation, a better webinar, I find most people boring webinars, they have exciting products and you get through it because they're good people, but the presentations are not very good, it's just my own opinion, so I worked on that, but yeah, the different mentors, I might repeat, but the one I'm doing now, I'm working on how to listen better, they had to be a good listener and how to ask good questions, and so then I've got a mentor on that, it's a paid mentor, this is not a friend that I met this one, I'm actually paying to teach me how to listen 'cause I live just talk... That's incredible.

**0:22:09.2 WS:** Asking good questions is so important, so what is the number one thing that's contributed to your success?

**0:22:14.0 BW:** Creating good habits, it's a number of years ago when I got into mountain biking quite seriously, just because I had joint issues and it went away, pain issues, and I was like, This is awesome, but just getting regiment every day, get up, just follow the same process. I know that days, I don't do that. Last night, I did not read as I'm doing a home remodel project, and it's

probably better to hire it out, but I do it because it's therapy, so we're remodeling our kitchen, so we get pretty late, so I didn't read last night and I felt it this morning, so I got up in red following a structure, it creates, and Darren Hardy talks about discrete, that compound effect, if you do a little bit every day... Like when I started mountain biking a little bit every day, now it's amazing how much I can do it mid-50s and I can still crank it out pretty good things.

**0:22:51.6 WS:** How do you like to give back?

**0:22:52.4 BW:** Well, first of all, this family big or giving the family, taking care of family, the employees are mostly families, either children or in-laws. Then I also have an organization, a church that I belong to, I'm very active in that church community, and then my wife is... She's giving by nature, so whenever somebody needs them, think of somebody, something happened, she's quick to make a meal, and so I get involved with that. How can we take care of them? Bring them a meal, we make thousands of cup case every year and bring those to people for different gifts. It's really on the personal level, it's not on a big... I wrote a 10000 check here, that's all private, but giving back individual people in need is really where my wife has really shined on that, and I kind of piggy-back on her on that.

**0:23:32.6 WS:** That's awesome. Are it's been an honor to catch up with you again and even to think through a little more in depth about having that long-term plan or 17 to 10 years, a whole period, the thinking through that versus this quick turnaround that most investors are... Seems a lot are looking for, especially a lot of active guys right now, are they hoping to turn around 18 months or investors, and so just a different way of thinking, but also focusing on cash flow and the reserve component. I like how you laid that out there, and it helps us, I think, especially newer operators that are listening and reserves are so important, so thinking about that sizeable reserve budget, but also in that daily routine is crucial. I have also felt that, and I've probably not been in structured as it sounds like you are, but it's still been so helpful and it is that that's a small consistent actions. Right, they pay off. It's amazing, it feels like today you didn't... You didn't get anywhere but me in six months from now, all these little actions... You've covered a lot of ground. Right, and so just grateful for that and exposing that to the listeners and myself...

Right, so how can a lister get in touch with you to learn more about you? Okay.

**0:24:37.5 BW:** Before I wanna finish this one thought that you had mentioned that going from short-term to long-term... I have a business mentor, Mark SA-Smith has been my mentor for years and on a business side, and he told me one day that quit using your business to feed your adrenaline, go jump out of an airplane, go mountain bike and go hit and go do something else... And so that's why the ship from the short term, that pay adrenaline long-term is wealth creation, and that's really what we're looking for. And the best way to reach me whites to go to bakers dot com.

**0:25:04.4 WS:** Thank you for being a loyal listener of the real estate syndication Show, please subscribe and like the show, share it with your friends so we can help them as well. Don't forget, go to the Life Bridge capital dot com, where you can sign up and start investing in real estate today, have a Busta.



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