EPISODE 1322

[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]

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WS: Our guest is Robert Martinez. Thanks for being on the show, Robert.

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Robert Martinez (RM): Hey, Whitney. Thanks for having me on your show, and congratulations on all your success.

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WS: Thank you. You as well. You as well. Reading your bio and talking to you already, very impressive what you've accomplished, and I'm honored to have you on the show. But a little about Robert, he's the CEO of Rockstar Capital, an investment in multifamily property management firm specializing in the acquisition and management of value-add opportunities in Texas.

Currently, the portfolio consists of 3,699 units across 21 communities. As the CEO and founder, he directs investment strategies, sources the investment capital, and secures the appropriate financing. Since 2011, his company is one of the most decorated property management companies in Texas with 17 city, state, and National Apartment Association awards and top-rated status by apartmentratings.com for their portfolio from 2015 to 2018. Their communities rank in the top 1% nationally for online resident satisfaction, and his awards and stuff go on and on.

I mean, Robert, just grateful to have somebody at your level that's done all these and performing at this level on the show. I know you're going to bring lots of value to the listeners and expose a lot of people to who you all are as well. But tell the listeners a little bit about where you're located and what your focus is right now.

0:01:41

RM: Right. So, I own a company called Rockstar Capital Management. We're located in Houston; Texas and we buy a variety of deals. We only focus on multifamily. So, class A, class B, class C. I am an owner/operator. What does that mean is that I manage my own assets. I've been involved in multifamily real estate since 2007. I got my education through a local real estate club here in Houston. I grew my awareness and education that way. I was the COO of our previous company before. Then in 2011, I founded Rockstar Capital Management.

As you've mentioned, we've grown on. When you're an independent owner, you're very passionate. You're very passionate, and you wear your heart on your sleeve, which means I'm very competitive. And if anything is wrong with my properties, it's my fault. No one else's fault because I allowed it to occur. I believe it's just the whole concept of necessity's the mother of invention, right? If it hurts you enough, you'll do something about it. If it doesn't, then you won't.

And I don't like to hurt. I don't like criticism or ridicule. I want everything to be the best that it can be. With that, I think that's what's fueled our growth. We've only grown in the last recent years. In 2011, I bought one deal. In 2012, I bought one deal. In 2013, I bought one deal. We started winning awards, and I realized, "you know what? We got a little formula here. We got a good secret sauce, and I've got some really good thoroughbreds in the stable. Why don't we – That are winning these awards with me." It's a team sport. Real estate is a team sport. You cannot do it all by yourself, because I'm not the one who has to go out there in the middle of the night when something is not working. That's really someone else, but why are they going to go out there? Are they going out there out of fear? Are they going out there out of love? Are they going out there because they don't want to let you down?

So, I take a personal interest in each of my staff. I find out who they are, I gauge their situation, and I try to help them and operate under the concept of, "f I help them, they're going to help me," and it's worked really, really well.

So, in 2014, that was the first, we started buying more than just one deal a year. We bought actually four, but they were smaller, in the 100-unit, the 150-unit range. And that's great, but you don't get all the economies of scale. I was buying those smaller deals, because I felt that if I had one manager in the office, then they are that much closer to the resident. There's nobody in-between. There's not an assistant manager. There's nobody else. So, if something is said, if you have the right person in the chair, she's going to act on it. She can help the resident meet their needs.

What I realized though that is as you grow, you need to have a bigger budget. A budget fixes everything. You don't have an expense problem. I followed Grant Cardone a lot, and I was actually on this show last year and the video went viral. I had my two boys in it who are now 13 and 11, last August 2018. And one of the things that he mentioned to me is that bigger is better. It took me a little while to understand that concept, but it is. When you have more budget, you can do more. You don't have an expense problem. You have an income problem. So, to generate more income, right? You're going to have more budget to have better marketing. You're going to have more budget to have a better quality staff.

And so, as we grew our company, we started buying bigger deals. So instead of buying four small deals, we buy two bigger deals. Next, it's three bigger deals. So, we've grown out to 21 communities across Texas. Recently, we just expanded outside of Tucson and went down to South Texas in the Corpus Christi area, and we're doing really well there. It's very exciting. We're building a brand. We use a lot of videos to tell our story because nobody shows up on a Saturday morning to look for apartments. They do all their research during the week, and they find you on the different reputation sites; Google, Facebook, apartmentratings.com, Yelp. You got to make sure that you're represented the way you wanted to be represented. Otherwise – Because if you don't, who's giving you reviews? People that are angry with you. Why are they angry with you? Because they're being evicted, or because they don't want to follow community policies, or community directives, right? And so, you've got to go and drown out the noise.

So, we realized that wait, "every time somebody renews, aren't they happy?" "Yeah." "Every time somebody moves in, aren't they happy?" So why are we asking for a review? Why are we letting the haters dictate our reputation?" So, we've gotten very good at reputation management. As I've mentioned earlier, when you and I were probably speaking, we got four properties that are ranked in the top 1% of all communities in the country. That's 101,000 communities in the United States. I've got four that are ranked in the top 1%. I have only 21 properties.

So, we put a lot of effort into our brand and our reputation, and it's very important to us. But again, I said I'm a very emotional guy. I wear my emotions up my sleeve, my heart on my sleeve. It's a representation of who I am. So, I want it to be the best that it can be.

0:05:54
WS: Love it. That's awesome. We wanted to be the best that we can be. Yeah, I love that. So, I wanted to back up a little bit and talk about when did you decide to self-manage? When was that? Was it on the first property or was it in 2, 3 properties into it? How did you determine that?

0:06:08
RM: I've got a strong sales background. I went to Texas A&M. I have an engineering degree, but I wasn't one of those 4.0 guys that you hire and you put in a think tank. I was going to be the kind that sold the think tank, right? Sold you the concept and the value add and the benefit-cost analysis.

And so when I got into real estate, I recognized, "man, this is just like what I used to do, but actually a lot easier, because if I could sell a $100,000 piece of equipment to a guy with a Ph.D. and explain to him the cost-benefit analysis, then I can certainly lease a $500,000 apartment to guy making $35,000 a year."

So very quickly, I recognized that I could do this. And it's very hard for me to give my money to somebody when I think I can do that too. And so, I walked away from my day job. I was making six figures, and I realized that the opportunity for me was in real estate. And so, I dove right in, and I put $200,000 in my first deal. I syndicated the idea. Worked with some other people, and I took care of it and I guarded it my life is what I did.

I think that you will find out very quickly who you are when your money is on the table. And so, I am very big on having the skin on the gain. There's nothing wrong with third-party property management companies. It's just not for me, because unless they have skin on the game, then they don't feel my pain. They don't understand we got to win at all costs. We got to make sure that they make it and say, "I'm here right now. I would walk two properties this morning. These are my historical, the legacy properties that I bought in 2010 and 2011."

And there's a couple of small little things that are being – We're talking about how to protect our history and our legacy moving forward even though occupancy is at 96%, and we're getting rents, I still want to invest in it, right? Well, I want to be involved in those conversations. I want to be able to make a decision right there on the spot. We made it and say, "Hey! Go get a quote, man, and let's see if we can work that in the budget for January." Even though we're doing really well, we want to continue to do well, so you go to keep investing in your properties.

How does that happen if you're dealing with a third party? You don't get to act on the spot. You don't get to make those reactions. You're a big, giant battleship and you're like, "I want to turn left. You want to turn it, turn left." But you can't. When you operate an independent owner-operator, you can make those decisions, right? They're on the spot. Policy becomes off of this conversation. You want to have a conversation right now, you give me an idea or something, tomorrow, it becomes policy first, and we implement it.

And I think that's the key to a lot of our success, and that success has generated 12 100% cash-out refinances where I literally buy a property and within 36 to 48-month period, now through cash flow and through giant cash refinance then, you're getting all your money back. We've done that 12 times. That's pretty good.

So, over a 10-year period, we're probably looking at a 3X, if not a higher return for our investors. We've got about 91 million in investor capital that I take off. So, I take it very seriously. I take it very personally. My mom is in those deals. My other family is those deals. I got to know that I go to bed at night with a clean conscience knowing that I did all I could today to bring value.

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WS: Nice. I know being able to do this, with your team is so important and you elaborated on that a little bit and you talked about the personal interest that you take in each staff member. Tell me about how you've built this team to operate at this level and how you do take that personal touch.

0:09:08
RB: It's a credit that I got from my father. My father works for a company called Whataburger, which is a fast-food retail chain, and it just seemed like his stores always did better than everybody else's. And I didn't know at the time, I was in my own little box. I was a kid. He was always on the phone. There were no cellphones back then. So, he's on the house phone or he's on the beeper, giving them calls. I would hear him talk to people. I think some of that just kind of stuck in me, but this is a people game. If you find out what makes you tick and what your heart's and your goal, your desires are, and I make them important to me, and I hope you achieve them, chances are you're going to want to help me achieve my goals, right? Because I think people generally want to help other people out. They just don't know how.

Well, here you are. If I help you out, you're going to ask me how to help me out. I don't expect you to work hard every day. You shouldn't work as hard as me. I'm the owner. But how will you? How do you take that extra effort if I've gone and I've helped you? If I've gone and I've done things that make your life easier to help you get your goals? I think there's a great chance that you're going to help me. It doesn't always work out, but you're going to want to help me get my goals. So, we play in a team atmosphere here. I'm not going to go into the jungle by myself. I want to go in there holding hands with a bunch of people that there's a better chance of me getting out alive if I have a bunch of people with me.

[INTERVIEW 2]

0:10:21
WS: Our guest is Bruce Wuollett. Thanks for being on the show, Bruce.

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Bruce Wuollett (BW): Thank you for having me on your show, Whitney. I appreciate the opportunity.

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WS: We're honored to have you here. A little about Bruce, he's the founder and current owner of Bakerson. Growing up in the bakery business in the Twin Cities of Minnesota, Bruce wanted to pay homage to his now late father, hence the name Bakerson. He has a proven track record of success throughout Bakerson's 16 years in business with thousands of individual units bought, repositioned, and sold. He has overseen all aspects of the business, including operations, acquisition, equity, fund management, legal, finance, and more. His focus is finding good deals, while his passion is serving the residents by providing them with one of their basic human needs, which is shelter.

Bruce, thank you again for your time this morning. Give the listeners a little more about your background. Make sure you elaborate on the name Bakerson. Tell them about that, and then let's dive into this business and your all specialty.

0:11:21
BW: Sure. I got into real estate and tax lien foreclosures in 2001. And in 2002, I wanted to find a different way to buy properties, so we ended up door-knocking the old-fashioned way and finding new properties that way. I need a name for my business. I remember I was driving south on Highway 51, and the name came to me. I said, "oh! I grew up in a bakery, and I'm a baker's son." At that time, my dad was suffering from cancer. So, when I mentioned it to him, he thought it was really neat, and he was pretty touched by the fact that we named the business, when I say we, I had a business partner, Jack Martin, at the time, who was still a very good friend, we went different ways three years ago, but his dad also worked in the bakery business, and he worked for my grandfather in the Wuollett Bakery in Minneapolis, which is still in business.

So, we paid homage to my father and then his father. It's out of respect, and we really like the name Bakerson and it means something special to us.

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WS: But now, give us a little bit about what Bakerson's doing now, what you're all as a business is, and then let's jump in.

0:12:24
BW: Absolutely. So, our current business is focusing on the workforce or class C housing. When I say workforce, we focus on the self-paying resident, the ones that have jobs. They have

decent credit, maybe not perfect. But they, what I say is, our focus is the permanent renter. One who may never own a home and would like to live in one and treat each resident with the dignity they deserve.

Currently, our assets are in Tucson. We have three buildings there. We've been selling some during this hot market cycle, and we're also still finding a good deal here and there. We found one recently after about 30 to 40 offers in the last 15 months where we've got one in that in escrow to purchase in Tucson as we speak. So, it's been a little bit tough, but it's a good time to sell too. So, we've been —

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WS: I know you talked about class C properties. Give us the typical asset that you all are looking for or maybe your buying criteria.

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BW: We're all in the 75-unit and up. The largest that we've had is 120. Our current assets are 74, 75, and 107. We really like the heavy lifting. The 74-unit that we have, was 50% occupied when we bought it. We brought it to 75% vacant, repositioned it, and brought it back up. So, we're not afraid of heavy, heavy lifting. And you know, during that time, there is no cash flow? We syndicate, so the investors fund our dreams for us, alongside us. As I like to say, the club with us. The heavier the lift, the better.

But we're having a hard time finding those nearly-abandoned buildings because the market as it is, as you know, has sucked up most of those assets.

0:14:06
WS: That's a great topic. Let's jump into that. Can we elaborate on that property that went 50% occupied or if it was 50% when you all purchased it? Give us some details about that property, and let's kind of walk through what you all did.

0:14:20
BW: Absolutely. So, this is run by a local slumlord. She ran the property very, very poorly and was cannibalizing units, taking refrigerators from one unit and put it in the other. Eventually, she ran out of inventory. You can only take from yourself so long, and you ran out of inventory. She was in a downward spiral.

The other issue we have with that property when we bought it was the chiller system was aging, and there was water leakage underground. And we could tell, because if you know chiller systems, I don't want to get too granular, but there's a meter that if the meter is moving, there's a water leak. It's a sealed system. It was moving slowly.

So, we're concerned about that during our due diligence, so I said, "hey, let's go look at that one again. Look at the chiller system and kind of analyze it. Figure out what's going on." When we were there, the onsite manager was repairing 17 feet of underground pipe under two units and said that the pipe had burst underground. And when we looked at it, we see when a pipe is broken and you patch it, wherever you patch it, it's going to break again and again and again. And you're chasing this issue, and you'll never resolve it.

So, we said, "okay, we got to replace the whole piping system." We went in for a $250,000 seller credit, which she agreed to because this property was a sinkhole purchase running out of options. And so, we ended up re-plumbing the chiller system on the exterior of the building, underneath the walkways. It looks modern, and it turned out really nice because to go underground would've been nearly cash-prohibited to re-pipe it underground. And so, that was our value added there. As well the units themselves were pretty rough, so we stripped many of them down to the studs, new drywall, new cabinets, new flooring, and new plumbing fixtures. In our properties, we do like to do low-flow toilets. That's another thing for water usage. I don't know how far you want to get into that but –

0:16:07
WS: Yeah. Let's back up just a little bit and like how did you find this property.

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BW: This is from a local broker in Tucson. He said, "Hey, I found the perfect property for you guys." So, it was a local broker.

[END OF INTERVIEW]

[OUTRO]

0:16:16
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 where you can sign up and start investing in real estate today. Have a blessed day!

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