

EPISODE 1336**[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.

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[INTERVIEW 1]

WS: Today, our guest is Vinney Chopra. Thanks for being on the show again, Vinney.

Vinney Chopra (VC):

Thank you, Whitney, thank you for inviting me. It's such a pleasure.

WS:

Vinney has been on the show numerous times now. But I would encourage you to go back and listen to WS01 and WS161. And then we've started a series starting at WS176. Just going through some key parts of this business that you need to know and just learning from Vinney's experience. But Vinney came to the US with only \$7 in his pocket now has over 35 plus years of real estate experience and 15 plus years in multifamily syndication, investing and managing experience, including overseeing management, over \$220 million of real estate assets. So, Vinney, thanks, again for being on the show. And what are we going to discuss today, Vinney?

VC:

I think we're going to talk about the investors how to really syndicate multifamily how to scale up. I think that was the world I got to know about in about 15 years back now, when I became

broker in California, and I was looking into what should I do with my broker license? And then I was stumbled into actually one of my good friends said, oh, by the way, have you looked into multifamily? I looked at multifamily. But guess what, Whitney, they were too expensive. Once you want to buy 15 units, or 20, or 200 or 500 units, that's when I decided, okay, how could we get family and friends involved? Right? Because that's the next logical way to do it. And by looking into that, I was then discovered a whole new life and different feel, different world, actually, which is the syndication world, a lot of people really frown upon it, by the way. I want to discuss that a little bit, because it's not a gorilla. I say that to everybody. It's not a gorilla as you think. And a lot of people say, Oh my gosh, it's illegal. It's this. It's that people can come after you and this and that. But if you do it right, if you learn it right, there is nothing like this business. I'm telling you, and syndication is not only multifamily syndication and flipping business, wholesaling business anywhere, you could use that, because all you're doing is you're pooling the money together legally.

WS:

Yes, that's a great point Vinney, and I guess there is a little bit of negative stigma or something around this business. However, I feel like that's going to be mostly people that probably have never, maybe not even done any real estate investing, especially the syndication business.

VC:

You know, definitely what has happened is Whitney when I started doing business 15 years back, again, I had to put my mind into the shoes of the investors, right, I wanted to know where we are, what's happening, and why they are able to lose money, they are able to lose money, that's the wrong word. But some of the investors have lost money to be truthful, it's very hard to lose even \$10, right, not to talk about 500 or 1000, or 2000, 100,000. So that's why I love the fact that in USA, we have the SEC ruling Securities and Exchange Commission ruling and I bring it up, I bring it up with every investor that I'm so thankful that we are abided by we are governed by and we are totally compliant with the SEC ruling. We got to say that to anybody we are meeting with. The other part I find is that I've been in sales all my life, right, motivational speaking and all, I always feel like let's hear the other person, let's find out about them, build relationships with them. So those things are very important.

Dale Carnegie's book, I mean, bless Dale Carnegie, how to influence people and win friends. What a great book, 1933. And we have four copies of that. Our children read them, we read them and all. And it's so wonderful to talk about how to build relationship with the human beings. So, investors list is a big one. That's what we're going to talk about.

WS:

So, Vinney, getting started I think a lot of people obviously they're very intimidated when they think about having to talk to an investor for the first time. But when we're first getting started, I hear people say, oh, you know, start with friends and family. Some people say oh, never use friends and family and I didn't come from a wealthy family accredited investors were not somebody I knew growing up you know. However, I've had to kind of build that organically. But how do you recommend that?

VC:

I would say definitely, you know, for the new people starting out, you got to start with the circle of influence, I call it. We have like six circles of influence, Whitney. The first one, is definitely the people who know. Who know you the best are the family, the relatives, the friends. And I think there is lot more knowledge now, that is given in people's hand, how to underwrite deals better, how to look at emerging markets, how to really learn from a mentor or coach who has done it, things like that.

So, there is lot more out there to take you into a space in collaboration, where you will not lose money for the family, and friends. In my case, if some people have followed me, I kind of took a different step. I just didn't want to get family, or friends involved. At that time. I didn't know if I'll be successful, to be truthful, you know. And now my family, friends say, Vinney, we wish we had spent millions with you, you have made double the money for lots of people have tripled the money for some people all that it's hindsight. But now I feel confident that the knowledge is there that we can learn and find the great deals and underwrite them conservatively. That's the other part. Because as a syndicator, you got to have the knowledge and you got to have the gumption to do things right. Keeping in mind the investor in mind.

Over the years, last 12 years, we managed 26 syndications and properties and all. But we always felt if in one quarter, the cash flow was low Whitney, we were able to give them back our management fee, just so that the investors got their percentage. And sometimes we even gave them our portion of the GP side to give them the returns. And in some properties, I never took my GP side, but kept on giving investors for two three quarters, and we defer it when we sell. So, we have done that way. So, there are different ways to do it.

But let's talk about investors. I think the biggest thing is that the new people who are starting out in syndication, you got to start a list of everybody close to them. Don't say that I've thought about everybody. That's not the way to do it. You got to put it down, put their name down, their phone number down, where they live, and then you write next to the Excel, when did you talk to them, what did you talk about. And then find out what's going on. So, that's important, you know, in our life.

The other part is, that habit credibility kit, the credibility kit is so important also, that is where you are able to show investors in an educational way. I call it educational brochure. Educational brochure is so important Whitney and I put together it cost me \$10,000 to make these 30 pages of brochure and I got it reviewed by the attorney, syndication attorney, because the language has to be correct and all graphics things. I wanted to make it so simple for my investors to understand why multifamily, why we are so excited about it, and how the benefits come with the taxation and depreciation and value add why the property changes from this to this. And how do we do the limited partnership, the preferred returns, the cap rate. So, this is an educational brochure that I provide to my students for free, who join my academy and I give all my PowerPoints, everything I've designed over 15 years, no holds barred, because my goal in life right now is to teach as many students to really do well, and they will do well better than me. They will do well.

The good part is the investors are the gold, we got to start from there. We need to look at one investor, one family member not as one family member, but maybe tenfold because they could have told more people about it. Every tree has a different branch and leaves. I believe in that

very much. My retention percentage used to be, I think 89% or something in my 37-year career when I was in sales, consulting, and motivational speaking, and raising, and all that stuff. But I always looked at my client as not one client but 40 times in that business. I think in investors, we could say 10 times, and that has paid off big times for me. And I teach that very big by putting a sheet around your investors. That's a big thing. Investor fusion theory. I'm an engineer, I always look at what will happen. Fusion theory's when you drop something very positive, and then the fusion starts and they tell more people, more people, more people, and then the list increases exponentially. I started from zero, went to six investors went to 16, then 38, can you believe it, I went right away to 38, then went to 76 doubled it in just few months. Because as you start giving the returns to the investors, Whitney, they feel good about you. And you asked for feedback, you want to teach your investors give them knowledge. When I got my investors list going, we send them a small newsletter, you know Whitney, with some news clippings, or even links now. Digital newsletters are great. I mean, I used to do otherwise before. But those are great, because we want to educate our investors, they will not just drop the money right away, unless we have shown them why that emerging market is great. And that's why I teach my students, you got to make sure in a Dropbox, keep on putting all these news articles, everything you get. And the best place to get them by the way, is the operating memorandums of the emerging market where you're going, try to get some new as new as operating memorandums. In the operating memorandum, you have job, so much knowledge about that area, the graphs, the data, the demographics, all that, you know, jobs, who are the employers, all those things. So, it's very important that we show that to the investors, why we are going where we are going. See, as a syndicator, the money has to follow you.

[INTERVIEW 2]

WS:

Our guest is JC Castillo. JC brings today some value to you and to me, I mean he really brought so much to the show today. I'm excited for today's episode and I hope you learn a lot.

Let's talk about helping others increase their profits. Let's talk about some ways you're doing that or maybe how you see owners struggling right to hit their profitability goals?

JC Castillo (JC):

Yeah, Whitney it's such a great topic and I know it's near and dear to your heart as an owner and as an operator. And it's near and dear to many of the hearts of your listeners who are all in the multifamily space in some form or fashion either as you know passive investors as you said, or as active owner operators or as you know, LPs or GPs really at the end of the day, what I found Whitney, and I found this out sometimes the hard way from doing face plants and sort of learning by failure is I've learned that really profitability, maximizing profitability revolves around three things really it's very, very simple three things. And your listeners should really write this down because these are the three things that it revolves around.

Number one, Whitney, is your profitability revolves around a happy and committed onsite staff. I repeat that, a happy and committed onsite staff. So, Whitney, if you have a frustrated staff at your property that has no leadership that is buried with a bunch of back-office functions and tasks that don't have really anything to do with taking care of their residents, then you're going to have a lot of frustrated onsite staff. You're going to have turnover; you're going to have people coming and going. And ultimately, that is going to really knock you with your profitability and it's going to really sink your ship. So, the number one thing, Whitney, for people that are looking out there to know how to maximize profitability is, you have got to focus on your onsite staff, how you are making them happy and how you are limiting a lot of their back-office work that actually really drives them crazy and these days with technology and virtualization of humans isn't necessary anymore. And so, the way that you solve that problem has a lot to do with how happy your staff is going to be. So that's number one.

WS:

Could you elaborate on maybe a couple of those tasks that you're eliminating that do make them crazy? Maybe as an owner, you're kind of blind to it right, you don't even see that that's something that hey I could do that, a different way so they're happier, right? What are a couple of those things?

JC:

Oh gosh, I love it. I can give you many, but let's talk about two very, very simple ones because I love to keep things simple. Number one is, I almost could guarantee you, Whitney, that most management companies have the actual invoicing, so accounts invoicing, accounts receivable, they have the onsite staff putting the invoices into your software system. Whitney that is completely unnecessary. You should have a virtual team of virtual humans in international locations that are getting the centralized invoices sent to an email alias and they are entering these invoices for the office staff. The office staff has no value in taking all of their time and entering all these hundreds of invoices that can come in per month. Instead, what you want to do is you want to farm that out as well hopefully your management company does farm that out and have a centralized system, which actually will take that work off of the onsite staff's plate.

Now, the other benefit of that is you can actually train the invoice processing agents exactly how to properly code up an invoice. One of the things that drive me crazy, Whitney, as an owner and I know it drives a lot of your listeners crazy is looking at the P&Ls and going, "What in the world, why are these things being categorized like this?" And nine times out of 10 it's because the onsite managers who have no background in accounting or bookkeeping are being asked to do complex invoice entry. And really it doesn't need to be done because A, they get it wrong and B, they don't have time for it. So, invoice entry, Whitney is one thing that we as a company have offloaded completely to a virtual human workforce and also through AI bots.

Another example I can give you a real simple one is guest cards. Okay, these are prospects that are interested in renting at your property. So, if you have a property let's say, Whitney, you've got property, you know XYZ apartments in Dallas, Texas, and you have a Google business listing. Well, there's going to be hundreds of people calling in or emailing into your Google business listing or your website and inquiring about leasing a unit at your property. Now, Whitney, let's just say that there is a working mom, who has two kids, and she's tired and she gets home from work at nine o'clock at night Whitney, and she needs to find a place to

live, and she comes across your ad. And she's really interested in the property and the pictures look great, so she goes and places a call, Whitney, to lease a unit at your property now remember it's nine o'clock at night on a Wednesday. She's going to get a voicemail system at your property, and it's going to say, "Hey, thanks for calling XYZ apartments will get back to you as soon as we can." Guess what, Whitney, tomorrow morning your manager comes into the office Thursday morning. She's going to get all of her you know morning activities done, she's going to grab some coffee, catch up with the maintenance guys. You'll be lucky if she returns that call around nine or 10 o'clock the next day. Now, by that time this working mom who's tired and she's probably at her job Whitney, and she probably has long since forgotten that she was interested in looking at your property so by the time you actually connect with her. The chances of you closing that lead have dropped significantly. Now imagine instead Whitney, that we had an artificial intelligence spot, called Lisa, which our company does. And the minute that she called in at nine o'clock at night on Wednesday, she got a text message back on her cell phone that she called them and said, "Hey, thank you so much for calling in about XYZ apartments, we've got one and two-bedroom units available. Would you like to schedule a tour with us?"

Now Whitney, what you've just done is two things: one, you have taken immediate action on a hot lead and everybody knows that if a hot lead sits for five minutes these days, it goes cold, your chances of closing go way down. But two, more importantly, Whitney, think about this, your onsite staff are getting 10 and 20 phone calls, probably per hour and some definitely per day of a bunch of people that want to lease units at your property. Now, how many of those phone calls do you think they can actually handle and actually handle properly and actually have the bandwidth to really focus in and ask and give the q and a that this person is looking to answer the question? The answer to your question is not many. And not only that, but it's going to drive your onsite staff crazy because imagine you're at the leasing office and your phone is ringing off the hook nonstop, you can't even really catch your breath to get some peace and quiet to figure out what you need to do for the day, and all the other high party stuff is going to get lost and dropped.

And so, Whitney these sorts of things seem like small things but they are major because what they do is A, they give the customer immediate response to take action, and B, they take the stress and the back office functions off of your onsite staff plate. So, they can really focus on collecting rents, showing units, and getting the service request done which is what they need to be doing.

WS:

Now that is awesome. Yeah, they can't take those calls because they're too busy uploading those invoices right.

JC:

Yes. Yes, that's exactly right. You got it, Whitney.

WS:

I appreciate just the depth that you went, I mean just thinking through that right. And I think a lot of people don't even realize that those things are available, virtual assistants we've talked about a ton on the show and they're such a good resource, right, to take all these things off your plate and your team member's plate as well. And these people who are very talented have skills that can be so good at those tasks.

So, looking at using virtual assistants that listeners can look up on the show. I've talked about it so many times. I hope you are considering it, if they haven't already. But okay, great. So manually entering invoices and in these guests cards using bots such a great idea, and the scheduling function like you said, I mean immediately they're getting a text message its own her mind right then she even got to look at anything else on the phone yet, right she said in and all of a sudden she gets a text message she can schedule it right there it's so good. What's number two?

JC:

Well, okay so just to recap right because we went deep on number one, but number one is happy on-site staff. Number two, Whitney and I think you're going to appreciate this also, you

have to have an amazing customer experience. Now I'm not talking about the owners, I'm talking about the residents. Because residents, let's face it, owners, ladies and gentlemen, they are your customers, and we like to call them our customers because they do have a choice and they decide to live at your property.

Now, the customers, having a great experience is going to mean one simple, simple thing. Okay. And let's not forget, this is very important people, all the people listening to Whitney's podcast. A happy resident means they're going to renew their lease. When they renew their lease. They're going to drop thousands and thousands of dollars right into your pocket, every time they renew their lease, thousands of dollars. Let's talk about that. Look, when a resident, you're going to put five to \$10,000 bucks to upgrade a unit if you're doing value add properties right. You put five to \$10,000 you market the property you get that resident in there and they're real happy they love the unit. And the minute that they move in, if they've got terrible customer experience if they don't have a modern management platform to pay their bills online. If they don't have a work order system that gets their workers done, significantly fast and pretty much done the right way. They're going to basically say hey you know what this is a great-looking unit but I've got terrible service and when my lease is up, I'm leaving.

Well, as soon as they leave, you got to return to that unit. You got to spend your maintenance people's precious time to go turn an extra unit. You've got to market the property; you've got to put all of the costs into turning the property. So, sitting vacant for 45 days when you add all that up you're talking about four or \$5,000 bucks in many cases, including all the hidden costs of a person moving out.

Now, resident experience doesn't have to be complicated. And I think, Whitney, that's one of the things that I want to talk to your listeners about is that I like to keep it simple like I call it, doing the basics brilliantly. Okay, it's called fundamentally being a sound blocker, and a tackler, things like getting work orders done. We actually have a system where any one of our residents can actually whip out their iPhone, and by the way, everybody's got an iPhone these days, whip out their iPhone, snap a picture of a broken toilet bowl, and they can send it by text to our maintenance call center, and a work order will be automatically filled out any time of the night

or day. And we will have that in our system and then we will take care of it. If it's an emergency, obviously we may respond that same day whether it's day or night but usually, if it's a nonemergency we will be there in the morning to take a look at it and close that work order.

So Whitney put yourself in the place of a resident or a customer and think about the power of taking out your phone taking a picture and putting a worker, you don't even have to go to your portal, you don't have to log in, you don't have to call the 1-800 number, you don't have to walk into the office which, believe it or not, many offices still require people to walk into the office to submit a work order like physically walk in which is just craziness if you're in the management business. But, when you make it so easy, to service a work order for that customer, that tells the customer that you really care about their time and about who they are as busy people with their own lives. And, Whitney, that's when the magic of the renewal starts to happen because if they know that you really care about them, people don't expect perfection. People know that things are going to go wrong. What they really expect is when something does go wrong, that you're going to be there for them in a reasonable amount of time and you're going to fix it.

And so Whitney, you know, customer experience is really the key number two key to driving profitability because it's such a seemingly simple thing to do. But because people try to overcomplicate it, they fail. And so, if you can get it right, profitability will soar because you're saving so much money with renewals.

WS:

We often overcomplicate things right and even the example of tenants have to come into the office to, you know, have some kind of maintenance requests or whatever. That's not only wasting their time but I mean, even that staff that we were talking about earlier right, I mean it's wasting their time as well, you know, just the whole thing man if they can just text a photo. "Hey, I'm in the unit whatever" And you're probably going to know that by their phone number right. And so, it's just man that just really streamlines things and I can guess why they're going to love that right they don't want to go down to the office and talk to anybody.

JC:

Yeah, and you hit the nail on the head and that's the other piece of this is that all of the innovation that we do for better customer experiences also has a huge impact on the onsite staff's ability to support and be more happy because like you said there's less people coming in for things that can be done in a more efficient manner anyways. Now, you always want to give people the option right. So, people can call in, they can go to the portal or they can take a picture, snap a picture, and text it in. But these sorts of things are called a modern customer experience, and making it simple, is not just using technology for the sake of it being sexy but actually using technology that makes it simpler and easier to do business with your customers and that is where you really have to be committed as a management company to push the envelope.

WS:

Love that. Well, what's number three or is there a number three?

JC:

There absolutely is number three. Number three is, it is all about the KPIs, Whitney. Key performance indicators as people probably know that term it's become a lot more popular these days. But as an owner and I've been an owner for you know for a long time, you know, with the management company it's the same thing at the end of the month, once close out happens typically between the 15th and the 20th of the, of the preceding month, you get a download of reports you know you'll get 10-15 pages of reports it'll tell you how your property's doing well. Let's face it, Whitney, we as owners really don't have time to go through such volumes of reports to know how our properties are doing. And we also don't want to have to wait until the end of the month. So, one of the things that you need to be focused on if you really want to maximize profitability of your property is you need to have a simple set of KPIs that tells you, am I tracking my metrics for this year for the budget on some simple metrics right. So, income total income so meaning rents plus other income plus utility bill backs. You set out a budget month over month when the year started. Are you hitting that month-to-date number and are you hitting that year-to-date number for income coming into the property? You

just want a simple bar chart that's either red or green, and it tells you, red, you're not hitting your numbers, or green you're hitting your numbers.

Same thing for expenses, I'm talking about operating expenses and not offering expenses. You want a simple chart that says, here's my month-over-month expenses per budget. Here's my actual expenses per budget both per month to date and year to date. Is it red or is it green? Projected occupancy versus current occupancy. You don't just want to know what your current occupancy is, you want to know projecting into the future. What is your future occupancy 60, 90, 120 days out because you're going to have to start marketing ahead of time. It's too late once the current occupancy has dropped, it's too late. You want to get started ahead of time.

I can go on and on, but you don't need many KPIs. The objective is to keep it simple, but don't be concerned with looking at the volumes of data. Just be concerned with looking at the reds and the greens. And if you're hitting your greens, try to ignore those as much as possible and focus and go dive deep on the reds and go problem solve those areas because that's where you're going to make your profits happen, is when you fix what's broken. But if you don't know what's broken. It's really hard to fix it. So KPIs, Whitney, is my number three tip. That's something we've put a lot of thought and effort into our management company. But as an owner, you've got to figure out how to have your KPIs in order and if you can have it interwoven with the way that the management company releases the information, even better.

[END OF INTERVIEW]

[OUTRO]

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