

EPISODE 1339

[INTRODUCTION]

Daniel Kwak (DK):

It's not that they were the best mentors in the world. I just knew the right questions to ask. And I was just very clear about what I was asking. And because I was asking good questions, I got great answers.

Whitney Sewell (WS): Do you set goals or New Year's resolutions? Our guest today is going to help you to think differently about those things, and how you pursue those things. He's going to help you to reverse engineer it but in a way that I've not heard many people say before, and I know you're gonna learn a lot. I love making things simple. And I love thinking about man, what is it today that's going to move the needle for me and or tomorrow? Or if I keep these same tasks going? That's what I need to be focused on and not getting distracted. And what are those things for you?

Our guest today, Daniel Kwok, he is going to help you think through that. Motivated by continued financial hardship throughout his life, Daniel started learning about real estate investing. At age 26, Daniel founded Miotti Partner's Capital, a core-satellite fund that has introduced the equities and management model into the real estate space for the first time. Daniel and his brother currently run an online financial education company, along with a YouTube channel, The Kwok Brothers that currently has over 100,000 subscribers. Daniel is going to go into numerous things today. But a big thing is how do you think about where you're trying to go and how you're going to get there. I know you're going to learn a lot. And it's going to help you to really think about what you're doing today? And is that helping you to get to that final destination you're looking for.

[INTERVIEW]

WS: What were some things, Daniel, that maybe you were having to say no to, you know, like you said, you know what, I'm focused on these nine things. I think it's so important. Like, I love this train of thought, but I know there's, you know, we all get the shiny object syndrome. We've all heard of that. But or maybe just maybe it's emails or maybe it's, you know, friends wanting you to go do something or

whatever. What were things you were having to say no to, though, that maybe you see often guys now our gals, you know, get distracted away from their focus nine things or whatever.

Daniel Kwak (DK): Yeah, well, we all know that person, right? We're like, you know, one week they're doing this MLM, and then the next week, they're doing forex trading the next week, they're doing real estate, you know, after that there's or whatever, right? I don't think it's that people have shiny object syndrome, I think is that people just have a lack of clarity on what they're really wanting from what they're pursuing. I think that's, that's really kind of the thing that they're missing. Because for me, my goal, I was very clear on what I wanted, I was very clear on exactly how I was going to do it, what I wanted, and why I wanted it. You know, so for example, I was targeting, you know, seller finance, long-term buy and hold real estate multifamily. That was my focus, right. And a lot of times, you know, the distraction, so to speak, the things that we say no to are opportunities within the same industry, right. Like, I mean, I had plenty of opportunities during that time that I later, you know, took advantage of, but at that time, when I was focused on this goal, you know, there are a lot of, you know, offers, right, they're like, hey, do you want to get involved with this flip? You want to get involved with this wholesale deal? Do you want to get involved with this, you want to get involved with that? And not to say that those are bad things. But you know, there are a lot of things I did say no to that, you know, maybe if I took advantage of them, I would have made \$100,000 or \$50,000, here and there. But I knew that it would derail and this is important. I knew that it was going to derail my momentum. And you know, you're a guy that's done 13,000 of these episodes. Right? And, you know, you I'm sure have a very impressive portfolio yourself. But you certainly know a lot of people that do that oftentimes, the most important word and developing traction in real estate is momentum. A lot of people underestimate that, you know, so I knew I didn't want to derail that. And so there was a lot of things I said no to, and most of them to your point. Were opportunities within the same industry.

WS: Awesome. I like how you, you said, you know what, I don't think it's shiny object. I think it's lack of clarity on what they're pursuing. I just think that makes it simple to understand, right, as well. It's like, man, are you clear on what you're pursuing on? You know, where you're trying to go? It's hard to know what map to use if you don't know where you're going right, or where you know, where you're trying to get to. So, I love that thought. You mentioned earlier to about a performance coach and things and it sounded like, even when you were early in the process, you had a mentor, you had somebody that you were going to I just wondered that process that you talked about looking through a dumpster for a meal at one point versus you know, where you're at now, when in that process, did you have that mentor that you could go to like that?

DK: Yeah, I had a lot of them at all times. If that makes sense. And one of the things I realized is even people in their 50s and 60s, at the end of the day, us human beings are really, really good at two or three things, you know, like, especially in the world of entrepreneurship, like, I've never met a person that's really, really, really good at marketing, tech accounting, you know, like leadership, like I've never met that person. They claim to be but oftentimes it's at the level that is not at the propensity of others, you know, they just done something really cool a couple times and they think they're good at it, right. So, I'll be very honest and vulnerable, that performance coach was actually a therapist. And the reason being is because one of the things I knew very early on, it was very damaging to my career was this deep innate, to prove myself to other people. And that was a huge handicap. And it was a big prison wall for me. And I realized that as long as I had this thing attached to my heart of this desire to prove myself to other people, you know, it was gonna hurt my investors, it was gonna hurt my business plan, and I wasn't going to be able to see it from a nonbias clear way that I wanted to see it. And especially if I'm the guy that's casting the vision, if I'm the guy that's facilitating and, you know, bringing everybody along, like I have to be healthy in all aspects of my career. So, you know, I had guys who, you know, were really, really good at finding deals, right? These are, these are wholesalers who've done thousands of wholesale transactions that I would go to that says, hey, you know, Bryce, or hey, John, or hey, Mitch, like, here are my top three to five ways of me finding deals right now. And here's what I'm going after, I'm going after these seller-finance, multifamily, right, like all these little intricacies of my deal, what would you change, which, by the way, a lot of people don't get the juice that they can out of the squeeze, so to speak. Because a lot of times when they ask guys like me or you for help, the details and the clarity, isn't there, like one of my biggest pet peeves is when people come to me asking me like, Daniel, how do I raise capital? And I'm like, first and foremost, what are you raising capital for? Who are you trying to attract? Do you want to attract people that want depreciation or cash flow? Are you structuring your partnerships, that debt equity is a mess? Like, how are you doing that? You know, so I think a lot of people just lack the clarity as going back.

But for me, just, you know, with the mentors and coaches, it's not that they were the best mentors in the world. I just knew the right questions to ask. And I was just very clear about what I was asking. Because I was, you know, asking good questions. I got great answers. And so I had a guy you know, I will go to for deal finding, I have a guy I'll go to for underwriting. I have a mentor now for leadership, right. So then now that my staff and my organization is growing, my mentor is actually, shout out to Joe right. Joe Vrankin, CEO of Puttshack, former CEO of Topgolf, right, he's the guy that actually scaled the company Topgolf from I think it was like 30 million when he was CEO, anyone, even by a tiny lead, it

was like 2 billion in valuation. So great CEO, in my opinion, one of the best CEOs in the world, you know, he, him and I sit down almost every month, and we just talk about leadership tactics. And we talk about certain scenarios. And so again, I'm just very intentional and clear about how to approach certain people that I looked up to, and I think people would be surprised by the aha's that they get by doing that.

WS: What would you have done differently? You know, starting knowing what you know, now?

DK: That's a great, that's a great question. Well, what I've done differently, I think I was too cautious. So, I have the I'm the type of guy that tends to overthink things more than kind of just recklessly going to do something. And I sometimes think that recklessness is healthy, right? I always tell people I'm every entrepreneur needs that (inaudible) moment, right? Like, like, holy cow, what did I get myself into, like, we all kind of need that, right? It's not only like kind of a kick in the butt. But it's also kind of a humbling experience that we don't know it all, that we're human. Right. And that's awesome. So, if I would have told myself, maybe like, 10 years ago, nine years ago, when I started like something, I would say, probably don't be afraid to make a mistake, because I was so afraid to make a mistake, you know, but I had one guy tell me like, there's no such thing as an undefeated entrepreneur. Right? Like there's no Floyd Mayweather business. Like you have to take losses, like it's just, you know, it's kind of the rite of passage.

WS: Fear cripples us doesn't it, like, you gotta be able to push through that. No doubt about it. Daniel, I know you are someone who, unfortunately didn't get enough time to like, just dive into this. And maybe we can again in the near future. But I'd love to ask you as well, you know, things that maybe you predict in the market, you know, the real estate market over the next six to 12 months, how you're looking at that maybe some things that that you're gleaning information from that's helping you to think clearly about what to expect?

DK: Yeah. So, I'll share a little bit about what I'm what I'm currently doing. So, I'll make this practical for you. So, I'll start with what I'm doing personally, and then work my way back to why. Because what do I see in the market that's leading me to that decision? So currently, for myself and all my passive investors, I am extremely selective about the deals I'm doing. So, I think last year, I looked at 1600 deals, I only made offers on five of them. And you know, there's a lot of reasons for that. So even the deals I'm doing today, right? I'm only doing deals in which the rents have not increased significantly like I'm talking about plus 5% increase over the last two, three years. I'm still targeting landlords that are 65

and older. And I'm only structuring the deals, seller financing, fixed-rate long-term secured finance, I'm not doing any balloons, right. I'm not I'm staying very far away if I can, at least from institutional money, financing the debt. The reason being is you can't find a commercial bank right now that isn't doing a balloon. That's at least five years or sooner, even if it's 25-year amortization. And I think for a lot of them, and they're smart, right? Like, they know that we're in a low-rate environment, and they want individuals and investors to refinance three to five years later so they could you know, or they're doing a swap rate program. Right. But I mean, a lot of syndicate holders, right, a lot of GPs, a lot of sponsors. I mean, there's a lot of refinancing going on lots of stripping equity and liquidating, but there's a lot of that going on. And that makes me very nervous. Very, very nervous. I was reading over some loan documents just for, not for fun, but just, just to gauge

WS: Sounds like fun.

DK: Yeah, so I was I was reading loan documents of big time, commercial loans have deals that are being done across the board, right, through different banks, I just want to see what banks are offering. I want to see what their programs and what their protocols are, like right now. And I read one that really startled me. And it says that if the debt service coverage ratio is above 1.2%, and the GP cannot get that downloaded within a span of 30 days, the interest rate gets jacked up from four and a half to 16.25. And there's also a fee of like \$50,000, that they have to pay every, like 15 days that the debt service coverage ratio isn't, you know, taken care of. So, it scares me because we're in an environment where, you know, rates are going to increase, but I don't think the rent growth is going to be as big as what people think it is. And that's part of the reason as to why what I'm doing now is I'm staying away from properties that have seen a massive surge in their net operating income the last two years because in my opinion, it's not fair. You can't judge a property's ability on your ability to cash flow, based on the fact that 40% of your renter pool has been priced out of the housing market. It's not fair. We've never had this much of high-quality tenants in the multifamily market ever before. And to kind of go back and talk about what's happening now. And people don't realize there's currently 1.6 million housing units in development, 800,000 of those being multifamily. We haven't broken that record since 1981. Which I think that number was 456,000 units under construction, though you're I mean, we blew, blew the record off. And we haven't seen that since 2007, right, before '08 happened, right? If you're talking about numbers, I'll use Dr. Strange's quote in Avengers, right, "Hither to I'm drunk, though." Right? Like, these are numbers we've never seen before. I mean, even where I live rents have gone up 25% 30% Some in some places. 50%. You know, and I just don't think that's sustainable. You know, I mean, the amount of shadow inventory that we have in the housing market, it's going to elevate inventory and

housing. And people ask, well, what does the housing market have to do with the renter pool? Well, imagine if like 30% of all your class a tenant just picked up and left. Right, and they started buying homes, while it does a lot of different things to the multifamily housing market than your B class and it's become A class and your C Class tenants become B class it just trickles up. Right. So, I think between a lot of things that's happening right now, shadow inventory in the housing market, record amounts of construction and multifamily housing construction, you know, construction, between that I think rates rising, making it more difficult for people to enter homes. I think inflation and stagflation skyrocketing as wages and increase of due, I think, between a lot of those things, I think, rents in my opinion, in 2023, I actually think we're going to see a drop, I don't think we're going to see an increase, I think we're actually going to see a drop, which is why I'm only going after deals that haven't seen a huge increase in rent over the last two, three years. Because, I mean, it's just, it's not feasible. It's not sustainable.

WS: So many things we could talk about there. I appreciate you bringing that out there. I just think it's a neat tactic and a wise tactic, as well. So, tell me, a few final questions. Daniel, quickly, what are the most important metrics that you track? And that could be professional or personal, whatever is most important to you?

DK: Yeah, the most one of the most professional or professional metrics that I track, personally, is how efficiently are my team members developing. So, I have this mantra, so like, some people asked, like, what makes a good leader. So, for me, the definition of a great leader is an individual who knows how to put the people that he or she needs in the best position to succeed and help them become the best versions of themselves. If I can do that, I know my organization is going to take off, you know.

WS: So, how do you measure that?

DK: Yeah, so we do quarterly performance reviews and feedback loops and whatnot. And, you know, we, okay, so like last quarter, you had the capabilities of doing this and doing that, and that you did this and that many times. So, we're trying to get away from this, but I don't like the idea of paying people per hour, because you're literally not incentivizing them to do something at a much more efficient rate. Because you're paying them less to do it much faster. So you know, even with people who like hey, can I work from home? Like, you know, three hours today? Yeah, no problem. Right? So, it's not only like how better are they that their job than a year ago, you know, because of your leadership, but you know, as even just as human beings, you know, are they happier? Do they feel more relaxed? Are they less stressed, are they more creative? You know, are they improving as an individual, you know? So, these

are things that for me, I tried for myself, obviously I love fitness and health, right? So, I love working out I'm very active guy. I mean, my body's still sore from playing like four hours of football like day before. But these are for me, right? There's stuff like, you know, my body fat percentage, just the most fun things with my health and fitness use things that I track because I think people are surprised at how much better you performed professionally when you know, your health and your fitness, and all of these things are in line, you know. And obviously stuff like my wife and I do we have at least two or three date nights a week, you know, am I spending too much time at the office? Am I having good quality time with my spouse? And surprisingly, a lot of things that I personally track are not professionally oriented, because in my professional career, I have standards and expectations. You know, more so than, you know, metrics that I want to hit goals that I want to you know, achieve, though? That's a great question.

WS: Congratulations to you on two to three date nights a week, I would say most people are doing good to get that a month. That's incredible.

DK: You know, what really scares me is when I used to travel a lot like pre-pandemic, you know, now it's starting to come back. But you know, I was on three, four flights a week and the amount of 40, 50, 60-year-olds that were on their third and fourth marriages. Yeah. All they focused on was money, like making money. I was like, this is just not worth it. Not worth it, man.

WS: Yeah, no, I appreciate that perspective. What's the number one thing that's contributed to your success?

DK: Nice. If you want the real answer, I could give you the typical hey, I'm in a podcast let me like, let me make myself look good answer. But my real answer is my relationship with God. There's no question about that. So, I go on in a 15-minute walk every morning with God and Him and I just we just hang out, there's no like, thy Lord to this day, you know, give if, like, there's none of that there's no like official prayer that I say there's no, like sacrifice or sacred thing ritual. Like I just hang out with my Dad. You know, that's the way I look at it. I just hang out with my Heavenly Father who loves me very much, who not only loves me, but it's for me loves my wife more than I love her, loves my future kids more than I love them. Love my employees more than I do. And yeah, man, it's just number one keeping my success is you know, did I do what he asked me to do today?

WS: Love that. Appreciate your transparency. And yeah, just being real about that. I would agree completely. What about how you like to give back?

DK: Yeah, so I'll share this quick story. So, this is one of my favorite stories in the Bible. So, if you don't mind, I'm gonna go to Scripture if that's okay with you. So, in John, chapter five, there was a story. It's called the pool of Bethesda. And the story of Jesus is walking, you know, and he goes to this pool, and he sees this one guy. And he goes over and heals him. And one of the things I did not realize, until about three years ago, is that Jesus most likely walked over hundreds of other sick people just to heal one person. And entrepreneurs, Christians, church people of today, we want to be able to heal all of them. That's our goal, right? We celebrate healing, every single person, like we will not stop until every child that has been trafficked was rescued, right, like, and the reality is for Jesus, which that's the guy I try to model my life after. The reality for him was he had no interest in healing all, let's say, 300 people, he was only interested in doing what God asked him to do, which was heal one sick person. And for me, that's how I give back is I don't focus on giving the biggest check or the most checks, or, you know, one of those guys that just like, well, I drive a Toyota and I just give all my money away, right? Like, I'm not one of those guys. I'm also not one of those individuals, where it's like, well, let's hold this like \$100,000 gala. And we could raise, you know, 500 that for me, like I just, I just give according to what God instructs me. So, if you know what we call the Holy Spirit, right, which is God's presence in our day-to-day life, if the Holy Spirit prompts me to give \$5,000 to that family, like, I'll do it, and there are days where like, you know, for two or three weeks, right, it's like, hey, just, just don't focus on giving, just focus on me and focus on growing this business. And then there'll be time or in between, like, hey, can you write a \$30,000 check to that organization? And I go, okay, all right. The amount of freedom there is in that is phenomenal, right? Because I mean, guys like me and you again, I hate to say but the amount of requests that we get to donate to certain things. And you know, it's a lot, right. So, God one day was hey, buddy, just do what I asked you to do. That's it.

WS: Yeah, love that story. And there's a good or I don't know if you've watched The Chosen.

DK: I love the chosen. Yeah. My friend Derral Eves, he's the CEO of The Chosen and like he's crushing it.

WS: Yeah, that's incredible. And there's a great scene, the Scripture you're talking about, exactly. So, appreciate that. Daniel, grateful to meet you and have you on the show. I'd love to just the thought process that you helped us to see about, you know, think differently about setting goals, right set standards, expectations. I think that is that's very wise. I think it's thinking long-term. It's getting in habits and routines for yourself that set you up for long-term success versus just this one thing you know that

you're setting your sights on helping you think much, much more differently about how you're getting there, right and so great. thankful to have met you and just you explaining that appreciate your faith and being so transparent, tell the listeners out how they can get in touch with you and learn more about you.

DK: We give a lot of free stuff away. We all like free stuff. So, if you go to thekwakbrothers.com And there's a tab where it says free stuff, I mean, we have a free real estate course in there, you know, we give away owner financing course we give away, you know, a mini-course on how to raise capital. So, I mean, a lot of these things I talked about here. I mean, if you wanted more detail more how-to version of that. I mean, feel free to just go there. And then all we ask is your email address so we can add you to our database. But yeah, it's, I mean, there's a bunch of free stuff in there. My book is for free, which outlines you know, my journey on how I went from zero to really 87 doors in one year and the setup to that so all of it's there, I just want to give stuff away and so thekwakbrothers.com Just look under free stuff and all that's there.

WS:

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