EPISODE 1340

[INTRODUCTION]

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Nelson Lin (NL): In order to stand out I need to niche down and be more specific and the authenticity really helps when you're trying to create a following or at least find a community that is very similar to your own mindset and the way you like to invest and will support your endeavors.

[INTERVIEW]

00:16

Sam Rust (SR): This is your daily Real Estate Syndication Show. I'm your host Sam Rust. Joining us today is Nelson Lin. Nelson runs the numbers as the first data scientist in the residential division for Brookfield Asset Management. You can find him online running his Asian interest group of 14,000 plus investors that subtle Asian real estate attending classes at the University of Chicago for his MBA are working on his portfolio currently owns 168 units across four states. Nelson is an engineering graduate from Columbia University and Cal Poly San Luis Obispo, and has also held technical roles at Apple and Microsoft Nelson, welcome to the show. Thanks for joining us today.

00:52

NL: Thank you. Thank you for the intro. Sounds like you pulled it straight from my website.

SR: Our team does a good job of pulling those things together. I'm curious, you had a post on LinkedIn a while back. You talked about kind of the downside of the humblebrag and the different forms that that can take. I'm curious what prompted that post and maybe some of your takeaways after chewing on it for a month or so.

01:16

NL: For context, there's been a couple of studies but there's the one in particular from Harvard Business Review, I believe. And what it said was, if you are going to brag, don't do it the way that a lot of real estate people I've been seeing brag. Don't just say, "Hey, so honored to be blah", "so proud to do this or that". When you do that, it's actually more obnoxious to people. You'd be better off just saying, "I won this" and just like straightup bragging. Humblebragging doesn't translate well on social media, right? We do it because we think it's a way to talk about ourselves being successful without seeming that we're bragging. But it looks worse because people are like, that's disingenuous. The worst here is when people complain-humblebrag. So complain-humblebrags top-listed words are like, "Ah, I'm so tired of being invited to all these conferences. You know, I can't make you know any more of these talks because I'm just invited all the time to things." That's the most annoying according to this study. And then the next level is, "so honored and blessed to have received this award". So, there are ways to do it and the way people think they sound is not the way it's actually being perceived. So, I just wanted to add value to everyone out there. Don't start any more social media posts with "So humbled to have done this".

02:31

SR: It's one of my personal pet peeves on social media. So, when I saw that post, I was like, oh, I love this. This is so true. You come across as pretentious when you're doing that. So you're younger, you've accomplished a fair amount, so you have plenty of opportunities to humblebrag. What are some alternatives that you've found?

02:48

NL: Well, one thing that people like is when you can degrade yourself. "Excited to swap out toilets on this new house." That sounds a little better than, "Hey, I just bought a new house, it's this much" in your face. It's more about all the downsides and so that's a way to seem a little more genuine. The other way is just to be genuine about it and just say, "Hey, I bought this apartment complex. Good luck, everyone else trying to keep up." That's what you're trying to sound like but at least be honest about it. People actually appreciate the sincerity more, which is kind of funny. It's also in the study that they mentioned that the main attraction is that it doesn't sound genuine. Like you said, it's like a lot of people know this in their head but no one's ever called it out when they see it.

03:25

SR: It's interesting. I mean, there's a whole cottage industry across any social media platform you want to name, of people who are gonna ghost-write. It can be Twitter accounts, could be LinkedIn feeds, I see that in my LinkedIn feed all the time, all the time. You didn't write that. And yet, when we try to write our own content, we often default into that weird voice that isn't authentic and it doesn't attract followers.

03:46

NL: I agree. One of the things that happen when you niche down and are authentic is you start attracting the type of demographic that you're trying to attract. I run this Asian interest Real Estate Group, for example. If you ask me all the time, do you feel like you've niched down too much? Probably. But, I'm also 27 and a millennial in tech, right? So, I'm already going to have a hard time competing against, you know, the Neil Bawas and everyone else who's appealed to those people the way you know, maybe y'all have also at LifeBridge. And so in order to stand out, I need to niche down and be more specific. The authenticity really helps when you're trying to create a following, or at least find a community that is very similar to your own mindset and the way you like to invest and will support your endeavors.

04:26

SR: Well, with 14,000 members and growing, that's a fairly substantial niche. Take a Seth Godin and what is it? 100 true fans? 1,000 true fans? You're well over that number. When did you start that and how have you grown that community?

04:39

NL: It's been two years and then mostly organically. The algorithm gods have blessed us. Zuckerberg just said, you guys have a lot of interactions. And usually when you have a lot of interactions in a group, Facebook will actually push your group to the top and try to get more people to join as a result. So, there are a few rules involved that you need to moderate in order to make sure there's good discourse and people are active in it. One is you want to really narrow down. There's 15,000 people and a lot of them are going to be lurking. But we probably have a community of, I want to say, a few hundred to like even a thousand who are very active and always interacting. That interaction is how you get to the top. The way to keep them interacting is another rule that I keep which is no listings of any sort. If it looks like somebody's copy-pasted an ad and there's a hundred other real estate Facebook groups that they're posted in. You need not put it here. There's plenty of other groups you want to put it in. The only way to keep interaction up is you keep those types of posts away. So, a lot of those tend to have no interaction on them. So, when you don't have interaction on them, that kills the score that Facebook is trying to reward, which is people interacting with their posts, basically. Because of that, we show up very often at the top of people's feeds.

Whenever we do events, we always sell out as well. We've been doing these things where we do field trips. Everyone does meetups, right? We wanted to take it to the next level. So, we'll actually do field trips to different cities. We've flown out to North Carolina, Atlanta. We've done a Texas trip. So, it'd be 40 or 50 people coming out to these things just to meet people with like mindset, feel ingrained and learn to invest. We also are starting to do conferences. Last year, we did 80 people. This year, we're doing a person-to-person venue. So you know, it's one of those things where if you keep interaction and activity up, the Zuckerberg algorithm will say, you know, you guys go to the top. That's really all there is to it.

06:19

SR: What was the genesis for the idea? I mean, two years ago, we're all sitting out of our depths, trying to wonder what's going to happen next. But you probably, you were interested in real estate, at least by the timeline I saw on your LinkedIn profile. So what was the singular moment if there was one?

06:33

NL: Well, I was house hacking a basement in Chicago at the time. I don't know if you know, Chicago, but it's very cold. So this is, I believe, winter-spring, so there wasn't much to do. And then Covid happened so I couldn't leave the house either. So, I wanted to make a meme group in real estate. And so, this is the group that was made. Eventually, most of the people started asking, how do I start investing? So, the group pivoted a tiny bit. We still do our focus on memes but at the same time trying to focus on the content on how do you invest, how do you take care of your property. And then also, encouraging meetups and interactive events. Now we're doing I believe, monthly meetups in seven cities at the moment.

07:10

SR: You mentioned content moderation being a really big key to promoting the health and vitality of the group. How have you grown the moderator board[? I find that that's one of the trickier parts whether you're in Discord, Facebook, or any other online community. You need some people who are invested in the community to help kind of self-police what's going on. You pick the wrong moderator and it can kill the entire community. So how have you wrestled with that and overcome that challenge?

07:34

NL: We've been around two years now. And from the group, I can tell there are more than enough people who want to be involved, who have been involved, who've been very active and contributing. So, you want to reward the people who are the most active in the community because they're the ones who keep it alive. It's not really the head admins who run everything. It's really the moderators, like you said, who keep the culture and keep the group kind of thriving. So, the way we found them was, one, these are people who contributed their time and energy over the last six months before, we're just like, hey, do you want to be a moderator? They generally understand that there are boring things that no one interacts with. If it's somebody talking about, hey, here's my loan company. No one wants to hear about that. But if you come in, and you say, hey, my name is Jim, and I've been running this company for 10 years. I'm also an investor and a dad at the same time. That's something we try to encourage, people talking about their stories.

And that I think triggers the algorithm much better than someone trying to just talk about the rates that their company has to offer and saying, message me directly. The more you can make it sound casual and less professional, the more the algorithm blesses you. And in order for that to happen, you need the moderators who are more casual and less trying to constantly sell a product that they're talking about. I think the community exists because you have enough of those people. You gain a critical mass, and then people keep filing in. We don't still really charge money for things. Keeping it free is extremely helpful and help them as well. But how do you create critical mass fast enough? Well, you have to sometimes pawn people from other groups. You jump into the larger groups and say, hey, we're doing this thing, check us out. That's a good way to grow quickly. But if you have a niche enough topic where there's hopefully a large enough community, people will just follow on their own once they find it through word of mouth or just the algorithm.

09:13

SR: That's fantastic. I'm curious, we're gonna get to what you do at Connect Real Estate Capital and some of your own syndications here in a minute but what's the long-term goal for your meetup group? Where would you like to see it in 12, 24, 36 months?

09:27

NL: Well, we're at 14. A few months ago, we were at 10. Before that, we were at nothing. This year, we're going to try to hit 20,000 members. Long-term goal is to get across the board, a hundred thousand people all in. The thing is, a group exists on the goodwill of everyone involved. But the mission is getting the people who have nothing to their first property. There are, of course, people who are LPs and my deals and all that everything in between. But the goal is to focus that group on the people getting from nothing to their first property. Ideally, I could scale that portion up. So, we're doing little mini-masterminds. We're doing these field trips. But we're just starting to really keep track of the people who were taking from zero to one. Ideally, I could get that number to a hundred a year but last year, we did 15. So, you know, this year, we might take it even more than that.

10:12

SR: That's fantastic. And it's super cool, measurable. I mean, really, it's not so much about the deal itself is you get somebody who starts thinking about real estate a little bit differently, and that can change their entire life trajectory. Whether they change careers or not, even just investing on the side can be a massive net gain to someone's worth.

10:28

NL: Yeah, I think that does help close the gap a lot in terms of driving someone's future net worth and what they can pass on to the kids. Real estate's a huge part of it so getting them involved is pretty nifty. We're starting to do funds now as well where it's less about syndications which is what I do. We have this partner fractional who sponsored some of our events where it'll be, say, 30 people on a single-family home. They've structured it so that there's a joint venture agreement that SEC says this is okay because everyone knows each other, that everyone involved votes on decisions and therefore the material participants. Recently closed on 11 duplexes, and I think there are something like 40 or 50 people involved in that project. But a lot of them are starting from nothing. They get to learn along the process with a few of us who've done it before. We're kind of driving but then there are a lot of other people who are joint venture partners who can vote on their equity portion. That I found was really interesting. Not only because it's a unique model but also providing education, unlike most syndication projects.

11:25

SR: That's really interesting. So, we syndicate as well so I'm familiar with a lot of the legalese that surrounds it and materially participating certainly qualifies you to participate in that kind of a JV structure. The first question that comes to my mind is, ideally, everybody's going to be rowing in the same direction and all going to have the same opinions. But you have a group of 40 or 50 people, and you and I both know, that's not going to be the case. How do you set expectations on the front end to avoid creating a situation where somebody's very unhappy with the direction the investment is going, and can frankly, cause a lot of problems even if they're just working to slow things down?

12:01

NL: Yeah, quorum is 50%, I believe, right, in order for them to do the voting. I'm not the smartest person in the space so the company they're sponsored and they also got to Y-combinator. So, they have someone that was on the SEC that told them this is kind of a way to say everyone is involved, it's not a syndication. So, in order for the legalese to make sense, everyone has to be materially participant even if they have different ideas. However, it's voting stakes. If you have a handful of people with the biggest checks who know what they're doing kind of guiding the ship, most people tend to fall in line especially since they're there to learn. And minimums are $5,000, I believe. So, it's not like a large amount enough that people might say, like, hey, I need this money back as soon as possible. They might be willing to keep it in there for longer especially if it's a cash-flowing project. But with the fractional ones I've seen so far, very few people are doing major value add projects anyway. A lot of them are already pre-stabilized buildings where you just want to buy it with friends, families and a large group that you met on the internet. It's definitely partnership-based and it's a lot less black box compared to syndications.

13:04

SR: Oh, that's fascinating. So you're a data scientist which for a lot of folks who have any familiarity with commercial real estate that's going to conjure up images of Neil Bawa. I'm curious, you invest in Chicago, or at least that's one of the places that your group, Connect Real Estate Capital, invest. I haven't seen Chicago at the top of very many charts as far as like, this is the best place to invest. But I know there's money to be made there. So, I'm curious using data, what's the case for investing in Chicago?

13:31

NL: I'll start with the top. You're looking at Chicago as an average on a hole which is terrible as an investment. It's a blue city, high property taxes, cold so people are leaving, population is kind of flat. So, you know, there are a lot of issues with investing in Chicago, just like you said. That being said, Chicago is also the third biggest city in the country. People think Houston and Dallas have taken the reins back. They didn't actually, not the most recent census. Chicago still stayed at the top. They had a slight population increase, surprising, I know. So, with Chicago, though, once you have a very large city, each neighborhood is the size of its own small city. The way it's been separated is there's a north side which has a valuation similar to Silicon Valley where you have these multimillion-dollar homes. The west side is kind of growing and then the south side is historically where crime has been. That's where a lot of the redlining historically has been as well. So, the values in the south and the crime in the south on average dragged down the whole city.

But, there are whole neighborhood pockets where they have double-digit rent growth, valuation growth has been crazy. We bought in this neighborhood called Bronto, for example in Chicago for the last three or so years prior to Covid. It was the fastest-growing neighborhood there. It had double-digit rent growth pre-Covid. Homes had doubled since 2017. And so neighborhoods of Chicago are booming. But on average across the city, it's not. So, you have to really drive down to the neighborhood level to figure out where are places growing, where are they not. And you can't just pick and choose without doing your own analysis. Because we are picking and choosing in fast-growing neighborhoods, we get the perks of growth but we also get perks of not having to deal with competition from all over the country. I could go into Atlanta. I could go into Florida, Texas, Arizona, like every other syndicator.

But I could also go to Chicago where I can pick up a property that's 50% under stabilized value. You know, day one purchase and we still cashflow. All we do is just turn the units and then maximize our income. Sure, there's not as much future appreciation or future growth but it's the day one equity on the purchase that we can still get. You don't really pick that up in other cities. I would never buy market rate in Chicago. I need it to be significantly discounted to justify my time. If we can buy that half off, we could gut-rehab it for another 20 or so percent.So, in two, two and a half years, that's a BRRR project. As a lot of smaller investors will know, you buy, you rehab, refinance it, rent it out. We can pull out full investor capital in year 2, year 3 once the project has stabilized. Can't really do that easily everywhere else. Although in the last few years you have because everything has appreciated like crazy. But on the thesis point, on the theoretical point, we were able to do that without the Covid bump.

16:01

SR: I love finding those niches and we just point out as a cardinal rule in real estate, location, location, location. In picking out those areas where maybe you have a competitive advantage because of the data, the fact that you've lived there. And you can evaluate those neighborhoods with a little bit of a different lens than somebody like myself that just thinks Chicago, Illinois, it's all bad, not going.

16:22

NL: Yeah, I mean, the easiest way to see who's actually operating well too, is, I was listening to a story about somebody who invested in syndication in Austin that had 30% return on average. But when he looked through the records, NOI actually went down over three or four years they held on to it. It's the cap rate compression that made the value of the property go up, not the actual performance by the operator. So, works great in the up market. But in a down market, once the tide pulls away, you're caught kind of naked. And so that's something that a lot of bad operators have been saved by because they invest in really great cities. Whereas you could do the opposite, which is not so great of a city but with a really good operator. And so that was kind of focus that I had in Chicago. It was with a team that's been down there for a decade. They bought owned 200-something units without investor capital. That gives you an idea of how well they can operate. But obviously, I'm also doing new development in Austin and value add in Florida. Also, it's just a way to diversify and a city that no one else is really competing, a blue ocean, that's the terminology, I believe.

17:20

SR: Yeah. Being able to have a basket of strategies is helpful as well. We're diversifying into some ground up ourselves for just that reason. You have some of your value add, your core cash-flowing assets, and then you pick those right markets. Where are you guys developing in Florida?

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NL: Sorry, to clarify, we're developing in Austin, Texas.

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SR: Oh, you're in Austin. Okay. Yeah, no wonder Austin is one of the hottest in Texas and therefore one of the hottest in the entire country. I was just there and it seemed like every street corner I was on had a crane coming out of it.

17:47

NL: Yeah, we're doing value add in Jacksonville. But in Austin, I'm partnered with Austin's biggest developer at the moment on a few of these projects. We just did a 506c fund and it filled up over-committed within the first day. Same with him, I took a small portion co-sponsoring with him, but he raised $24 million in 24 hours or something. It's one of those things or you know, the market is still very hot down here. You just can't build fast enough because of the horrible zoning laws down in Austin. So, you have to constantly try to keep pace then the city keeps saying, hey, we want to feel like a small town. But yeah, Austin is our main new development area, everywhere else is a value add.

18:23

SR: Well, Nelson, as we get ready to wrap up here, what's one thing that's contributed to your success?

18:28

NL: Attention to detail. I think it's important. But the other thing is having and changing around my mindset. Used to be very 'how do I avoid paying for stuff as much as possible'. Over the years, it shifted to more, 'I can't keep picking up pennies and missing the whole dollar.' That's something that I've had to shift in terms of growth and really trying to stretch myself. If it weren't for the group that I made, I don't think I've really taken that leap. But being a little too conservative was my issue sometimes.

18:55

SR: Yeah, picking the big enough problem to solve, right? Not every problem kind of principal from the one thing, right? Like, I could focus on all these peripheral issues but if I can find the one problem that kind of begot all the others and solve that one to better ROI on your time, and usually results in better ROI and your bank account as well.

19:11

NL: Pretty much just like you said. I think being attuned to that is pretty important. But it wasn't something that I really took in consideration until I really had to. We kept running into limits that we had set for ourselves. And you know, we were our own worst enemy after a certain point. So yeah, it's just like you said.

19:29

SR: Fantastic. Well, Nelson, if folks want to get in touch with you and learn more about what you're doing throughout the country, where can they reach out?

19:36

NL: Yeah, so you can google Nelson Lin. I'll be the first thing that appears likely, and by doing so you also keep my SEO up. Thank you very much. The other option is we've actually rebranded from Connect, we're using SubtleAssets.com now. So, Subtle Assets is the new name because the group has just taken a life of its own and so that's the new brand I've taken it under. So, SubtleAassets.com is the place. But I'm on Facebook the most often. If you go into South Asian Real Estate Group, I'm pretty much there once a day. I go through messages, answer things, tag people.

20:07

SR: Fantastic. Well, thanks for joining us, Nelson. And thank you to our audience for joining us. This is your host, Sam Rust, signing off.

[END OF INTERVIEW]

[OUTRO]

20:14

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