

EPISODE 1350**[INTRODUCTION]**

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: Our guest is Kenny Wolfe. Thanks for being on the show, Kenny.

Kenny Wolfe (KW): Thanks, Whitney. I appreciate it.

WS: I'm honored to have you on. You're extremely experienced in this business. You have 3,576 units across five different states. There are not many people I know who have done that, have that many units, and have been as successful as you are. Kenny is the author of Investing In The Dream. He is the co-host of the Commercial Cash Flow Show on YouTube and Facebook Live. Kenny, can you give the audience a little bit more about who you are and what you're doing? Let's jump into this deal that you purchase.

KW: We've been buying multifamily real estate over the years. It started out here in DFW in Texas. We quickly branched out to Colorado Springs, Oklahoma City, Columbus, Ohio, and then to the various states in between. We've grown quickly and it was a great time to get started in real estate. Part of it is also learning the business and we're starting to integrate as well vertically. That helped push our count up and get us more efficient at being a good operator.

WS: You're talking about vertically integrating. Elaborate on that a little bit. What does that mean?

KW: I bought into an existing property management company. I owned 49% of Allied Property Management. There was a good existing third-party management company I would use on one of our projects and they're looking to grow. I was frustrated with the other third-party management companies and they wouldn't listen to my suggestions. I figured I would buy into one at least. That always helps when you get answers a little bit faster. We started doing that

and then we're looking to possibly bring in another management company as well from another state. That gets us to about 10,000 units under the third party.

WS: That seems smart to me. I consider starting my own management company. Why not buy into one as you did? They have already got systems in place and you've already been working with them.

KW: I figured that would be such a big headache to start my own. Why not start with the one that I like to work with and they are open to growing as well. It's a much faster way to get that going.

WS: I want to dive into this deal that you closed in El Paso, 309 units. It's impressive. Can you give us, at a high level, a little more about the opportunity, about the deal, and then let's dive into some more specifics?

KW: This is a property that was a direct sale between myself and the seller. There was no broker involved. It's nice once you get the reputation of someone who closes a deal. This is a \$13 million to \$14 million purchase on that property. 309 units and it's eight minutes from the other property we have there. We bought 188 units at about the end of August 2018. That puts us at about 500 units there in El Paso, which is going to be great to have them so close as we cross-train maintenance guys and cross-train leasing agents. It makes it so much smoother of a process for both our first property in a market and also after that as well.

WS: What type of property? What class? What are some other specifics?

It's 309 units. It was built in 1964. It's an older property but it's all made out of cement blocks. It's not going anywhere. The roof checked out pretty well. We've got some touch-up there, but the seller gave us credit for that. It's got a huge pool. The pool is Olympic-sized. It's massive. I've never seen one as big. It's partially covered. There was a lot of stuff that once we get in there and dress it up, it's going to look nice, good-looking property after that. I'd say it's a C maybe a C-plus. We'll probably take it to a C-plus B-minus. That's about where we can take it, but our basis is good per door.

Three halves we've got already lined out. We started doing a pre-closed construction meeting with this asset, which is close. Once we've closed, we can hit the ground running and not wait for a week or two for everybody to start getting bids. We were already getting bids before we even closed. It's got to Dyer Street. Dyer Street is a major thoroughfare in El Paso. A lot of the retailers are starting to come back on there, you can see it. There was a defunct Kmart. They have re-done the exterior. I'm not sure who's moving in, but it looks like a Walmart to me from the outside. That's good seeing some retail moved back into that area.

WS: As far as why this deal and as opposed to probably many others you looked at, how many did you have to look at in this area before you found this one?

KW: This asset came out of a lunch I had with the seller. I took him out to lunch and said, "If you're interested in selling anything, let me know." He said, "We have nothing for sale right now." Two weeks later, he gives me a call and says, "Do you want to buy this asset?" We got to work out a fair price and went through there. That deal is a little strange. There are three other deals we will have closed buy. Those were "off-market" deals where four or five of us buyers are looking at it before it goes to the full market. We like those deals a lot better than the stuff that's on the market. It gets us a leg up and first look, and hopefully, a discount on the price.

WS: What is the business plan for this specific deal and how long will it take to execute it?

KW: We plan to do a cash-out refi for several months on the property. Since this is the second asset we bought from the seller, we know what we're getting. The first asset we bought from him was classic units. There are no upgrades. Those units were getting an extra \$60 a month more by doing new carpet in the unit and that's it. Upgrades are getting an extra \$100 on top of that. We expect that to keep going at this property as well. We only underwrote an extra \$30 to \$35 more for the classic units and then an extra \$50 for the upgrades to be conservative because it's so close and in the same part of town, I expect it to have similar results as the first one. Maybe a little bit less because it's at \$5,000 median income a year on the demographics but it's on the same side of the mountain there in El Paso.

WS: A cash-out refi at several months. How long do you plan to hold this property?

KW: This will be a longer-term hold. We do a cash-out refi. Our projections were getting back investors 40% to 50% of their initial equity back to them as tax-deferred deals. You get that back. You can go out and invest that again, hopefully, with us or with somebody else, that's fine too. Put that back then hold that longer term. That's going to be probably another few years and let it cashflow for us quarterly. Let the appreciation, tax shield, and all the benefits you get with owning rental real estate, enjoy those as long as we can. Probably we'll sell it a few years after we buy it.

[INTERVIEW 2]

WS: Our guest is Mike Simmons. Thanks for being on the show, Mike.

Mike Simmons (MS): Absolutely, thank you for having me, appreciate it.

WS: Mike is the producer and host of Just Start Real Estate, one of the top real estate podcasts in the world. About five years ago, Mike exploded his real estate investing business, growing it from 1 million in profits in just 12 months. That's incredible Mike. I know a lot of the listeners like they have their little ears perked up now. But Mike is a real estate mentor, coach, and partner in 7 Figure Flipping, one of the nation's largest real estate mastermind groups. Note, Mike is not involved in the commercial real estate business but his experience can certainly be translated into helping investors and really, entrepreneurs in any business, I think.

Mike, I'm looking forward to hearing some of these stories, especially taking your business to 1 million dollars in 12 months. I know most people would dream about that, and then you probably dreamed about it for years, before actually making it happen and getting started. Get us started by just telling us a little more about who you are in case the listeners haven't heard of you?

MS: Yeah, sure thing. I'm a Midwest guy, born, and raised in Michigan. I am the son of automotive, an automotive family here in Michigan, it's very much motor driven. The goal and the mission for me, from my parents' point of view, was to get into a union job that had benefits and retirement and stay there for 30 or 40 years, and kind of scrape away until you can retire at 65 or whatever the case may be.

That was sort of the goal and I had nobody in my family that was an entrepreneur, supported entrepreneurialism, or even knew what that even meant. For me, I kind of went down that path early in my life, right out of high school, I got a job at a union company, it wasn't automotive but a union company. Had my benefits, the whole thing. I'll just say what it was, it doesn't really matter, it's UPS. I got started with UPS. Parents were thrilled, super secure, right?

But I hurt myself, I hurt my back. It's a physical job, especially when you're starting out in that company, I was loading-trucks, I hurt my back and realized, okay, I can't stay here. Went into a more automotive, traditional automotive type of job. Parents are excited, I'm going along, thinking everything's great, and then around 2000, if everyone who is in that industry or was around back then to know, in 2000, things went kind of bad. We had the tech bubble burst and we had, the automotive industry went totally into the tank, and there were a lot of layoffs in my industry.

When that was happening, I kind of looked around and said, I'm not special here. I don't have a college degree, I got into a job right out of high school, and I started thinking about what I wanted to do with my life and how I wanted to ensure that I'm not one of those folks that get left behind in terms of a job. I looked into real estate but it really started as a product of me looking into how I could retire, and how I could invest. I started off with stocks, and stock

trading, day trading, and all these things, like the stock market, that I thought were going to be my ticket. I'll invest money, make my money work for me.

The problem with investing in the stock market is I hated it. I wasn't interested, it was boring, I got really bored when I was researching it. I would wander on the internet to sports sites and just anything that I could do that wasn't stocks, right? But eventually, when you Google investing, you'll end up on the real estate investing, if you scroll down far enough, right?

I hit real estate investing and I was like, wow, this is exciting and I couldn't get enough. I was voracious, I was just absorbing all the real estate stuff I could, and eventually, made my first offer on a house and the first one got accepted and things went really bad, this was like now fast forward a little bit, 2008. What we're going to talk about probably in a few minutes, I'll illustrate what happened between like 2003 and 2008 that will kind of shed a little more light on, I think, what a lot of people deal and struggle with – but, 2008, made my first offer, got accepted. The bank that I was going to finance through went under, I lost my deposit, it was a big disaster. Four months later, got another accepted offer on a house in the same neighborhood for half the price, okay?

If you're doing the math at home, the lesson here is, that I would have lost my shirt on the first house because prices started dropping so fast that it was sort of a blessing that I lost that first deal because the house prices got cut in half almost overnight. I did my first deal and made good money, it's kind of proof to my wife, who is a little more conservative than me, that this thing can work and I was off to the races from that point forward.

WS: Wow, why did you stay in after the first deal? I mean, why go to the first one? Why go to the next one after that one was so bad?

MS: Yeah, I could say because I'm tenacious and I love the thrill of the hunt. Really, what it was, to be honest with you, my wife and I took a weekend coaching or mentoring type of a thing. It was \$3,000 for the two of us for one weekend, Friday, Saturday, and Sunday. A local guru kind of like showing us the ropes and, to be honest with you, when we were done with that, my wife was not going to let us not succeed.

She's like, "We spent all that money, you are not going to" – not that I wanted to sit on the couch but she was absolutely like, we're doing this, we spent the money, we will not waste that money, we will do this. It was great to have that support because we went out there and just went for it and things turned out great. But with a lot of people, if that first deal, if we had lost a lot of money, I don't know, it's hard to say. I really wanted it bad but I'm also married and I have a relationship that means a lot to me and it might have not been as easy to convince my wife to keep going if we had lost money in the first deal.

Thankfully, we made good money on that first deal and that was just all the proof she needed and I just went for it after that.

WS: Nice. Okay, it was helpful for you though to actually – actually bring your spouse to an event like that and they get educated as well. I know that's a common problem, there's a spouse who just wants nothing to do with it, it feels like it's too big of a risk, but there's one that really wants to get into it, and it's difficult, right? If you don't have that support and if you value that relationship, you need to think through that, right?

MS: Totally. Whitney, I'll tell you what, I know people that have spouses that are not totally into this real estate investing world, and they're not convinced, and it's 10 times harder. I won't lie, I had an advantage that my wife was behind all of this and she was into it, but bringing her into the world was what it took. I think some people go, "I'm just doing this thing and this is what I want to do," and they don't invite them in. It's harder when you're looking from the outside – how do I get convinced of something if you won't let me be around it?

I bought her in, immersed her in the real estate world, and she was excited. It made all the difference.

WS: They treat it kind of like it's their own hobby over here on the side, I guess, some people, instead of yeah, involving their spouse.

MS: Yeah, I mean, if you're a golfer and you want your wife to be cool with you golfing, bring her golfing. Bring her into it, right? Or bring him into it. If you enjoy golfing and you have a husband who doesn't want to do it, bring him in. If you really want to be able to do it a lot, make them a part of it, right? She's conservative. It would have been an impossible sell if she hadn't thought or seen the opportunity, so she did.

WS: Nice. I know your specialty is like helping people get started. Helping them just make that leap and it's hard. Looking back, it's like, the hardest part of it, right? It's getting started. Once you get past that, just little ways, it's so much brighter, right? I mean, things start to happen and you can make things happen a lot easier than when you got started. But what about you? How about elaborating a little bit on, let's just jump into how you help people get started, and maybe some of the things that hold them back, or even your story to getting to, taking your business to a million dollars within 12 months?

MS: All right, I will illustrate the difference between someone who can accelerate their business and someone who isn't accelerating their business, because I've been both people. I can sympathize, I do sympathize with folks that have a hard time getting started. I decided in 2003,

I was interested in real estate, and I want to do this. I think this is my thing, my passion, my calling, whatever. I didn't buy my first house till 2008, right?

What happened Mr. Just Start, what happened? Well, I started researching, I started reading books and I started – I got paralysis analysis. I kept thinking A, either I don't know enough and I'm concerned that I don't know enough. or B, there will be a new book, a new strategy, I would go to an REA, there would be some speaker. I just kept getting the shiny object syndrome and I couldn't decide where or how to start.

For me, it was like paralysis analysis and excuses. The only thing it really was, honestly, was I just was afraid to start. I finally got started and took some action and, frankly, I didn't come from an entrepreneurial family and that's not necessarily an excuse, it's just a reality. I had no one in my life as an example to just go for it and take life by the horns. I tell my kids all the time: you can choose your life or your life can choose itself. It can dictate what's going to happen, or you can dictate.

Life rarely makes decisions for you, that you don't have any control over, that you love. Usually, things happen to you when you let them happen to you. But when you take charge, you're in charge, right? That was number one. I had to take charge but once I did that, I realized, I like taking action. I enjoy implementing things and seeing what happens. I like steering my own boat, I don't like having a captain telling me where I'm going. I like being the captain.

When I started, it was almost like for me, it was like a drug. It was a good drug but it was like a drug. Having control, knowing what I want to do, implementing it, seeing the results, making corrections or course corrections or whatever along the way, and then relaunching the idea. I love that, I got addicted to it.

I started taking massive action. Now, how did I get from the kind of doing a deal here and there, which is what I was doing for the first handful of years, and trying to figure out how to grow. I was having a hard time cracking the code because I was too small to hire, but if I didn't hire, I was going to stay small, this whole catch-22 logic that I had back then. I'm only one person, there are only so many hours in the day, and I had kids, I had a wife, I had a house. In the beginning, I had a job, I was kind of doing this on the side. What does it take?

Well, for me, and what I think for a lot of people it takes, is getting around other people that are like you, they have the same mindset. For me, I joined a mastermind, a real estate mastermind. I'm not saying like a local REA, I mean, like an actual legit mastermind of people who pay to be there, right? If you pay, you pay attention. A lot of times, things that are free, sometimes people take for granted, they don't take them seriously. I can illustrate that point very well in a minute but – I got involved in the mastermind with folks who were kind of where I was and some of

them were far beyond where I was, and the people who were far beyond where I was, I was able to sit down and sort of forensic analysis and deconstruct their businesses and say, “What did you do that worked? You were where I am 3 years ago. Now, you’re where I want to be, what happened in that 3 years? What did you do, and what did you do wrong, what mistakes did you make? If it took you 3 years and you can articulate to me what you did in those 3 years right and wrong” – Imagine if you could live your entire life, Whitney, with hindsight, always with hindsight, right?

You’re about to make a decision, you could go 5 years in the future, see what that decision outcome was, come back, and make the appropriate decision. To me, that’s what surrounding yourself with the right people can help you do. You get hindsight, you use their hindsight to make decisions in your similar or exact same company, and that’s what we did.

I took a gentleman, his name is Andy McFarlin, he’s a great mentor of mine, he was 3 to 4 years ahead of me and I said, “Dude, tell me what you did. I’m going to compress that, because if I can’t beat 3 or 4 years, knowing all of the hindsight that you created, shame on me.” I did that and I compressed it, and to be honest with you, that’s the basis of the book that I wrote.

People ask me all the time, “How did you go from doing a deal or two to doing 12 to 14 as a wholesaler and a house flipper? How did you do that?” I’ll tell you what, a little spoiler alert, for anyone who is interested, it wasn’t software, it wasn’t like a specific technique that I did or some interesting way of making offers. Those are strategies that help make you better for sure.

But it’s way more than that, it’s a little more high level. It’s hiring, it’s creating a team, a culture within the team that you create, that makes them want to run through walls for you. By the way, hiring people that are better than me at specific jobs – I’m okay at a lot of stuff in my business, I’m really good at some things and I’m passable at others.

I own the company, and I had to realize, that I’m not the best salesperson in my company, nor should I be. It’s not my background, it’s not my strength.

WS: I’m sure you don’t want to be.

MS: I don’t want to be. I did it, and I was competent, but when I brought a person into my team, who was an actual sales person, wow, I just marvel. I said, “So that’s what a salesperson is. Because it’s not me.” They blew it up for me. Having that mindset of I need to build a team, right? It doesn’t have to be all employees at your – I get it, I hear what people are saying, “I don’t have the money to hire people, I can’t do it.”

Trust me, there are creative ways to bring people onto your team and build a team that helps you grow. Then as you grow, you can bring actual people on that maybe are salaried or commissioned or whatever, but building that team and then creating the systems that allow the team to run. One of the biggest mistakes that people make in business, is not just our business, but any business. I was in the automotive industry for a long time.

I would see the best engineer in the department, the engineering department, the best engineer they had, what do you think they did to that guy? They promoted them. They made them the engineering manager and then you realize, wow, he's a horrible manager. Great engineer, horrible manager, right? We do the same things in our own business, we create this investing company that's really good and we're doing everything.

We're good at what we do and we're building this thing and we're great technicians and then we start bringing on a team and we elevate ourselves to management and we realize, we can't manage, right? Understanding that there's a process there, you're going from being the technician to being the visionary, right? For your company, there is a difference. Teaching people how to do what you do and doing it is totally different. Having systems and processes that are repeatable and makes sense and having lanes for everyone in your team, just creates a really good company.

You know, I partnered, I have a partner on my business, do you need a partner to run your business? Nope. But there's a time and a place for a partner, it's not for everybody. I get that question constantly. You have a partner, you're successful, I need a partner. No, you don't need a partner, you might need a partner but not because I have one. Let's talk about it, right? We talk about that too because it can be powerful if it's done right.

[END OF INTERVIEW]

[OUTRO]

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