

EPISODE 1357**[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 Tim Bratz. Thanks for being on the show, Tim.

Tim Bratz (TB): Whitney, I'm excited to be here. Thank you for having me.

WS: Tim is the CEO and Founder of CLE Turnkey Real Estate, a real estate investment company that acquires and transforms distressed apartment buildings into high-yield assets for their own portfolio. He's built a passive business through real estate and created a residential income that allows him to live the lifestyle of his choice. He's here to educate and empower others to become financially free through commercial real estate. He has \$180-million portfolio consisting of over 2,000 rental units. Tim, thanks for your time and being on the show. Give the audience a little more about who you are and what your focus is in real estate.

TB: I appreciate you for having me. I appreciate all the value that you bring to the table. I'm 33 years old. I went through college when the market was going gangbusters last time. From '03 to '07, I got involved with real estate and people said, "If you want to make money, get involved in real estate." That's what motivated a 21-year-old kid back then. My brother lived out in New York City. I went out there. I became a commercial real estate agent representing landlords and businesses, finding spots. I brokered my first lease out there that was 400 square feet. We signed a \$10,000 a month lease agreement on 400 square feet with a 4% annual escalation and a twelve-year term.

I realized pretty quickly I was on the wrong side of the coin. I needed to be owning rental property instead of brokering it. You start reading all those books on personal development and real estate, all these different things. I realized that I love the concept of residual income and doing something one time and getting paid for it over and over again. Obviously, passive income, doing something, being hands-off, and having a business that was passive or an asset

that passively created income on a regular basis. I love that but a lot of us get into real estate for that allure. We get jammed up and stuck in that rat race of transactional deals.

We go start flipping houses or wholesaling houses. I was doing a lot of that. I've gotten involved in the turnkey business where I buy a single-family house, fixed it up, package it with tenant management and sell it off to somebody who wanted to own real estate passively. A couple of years ago, I looked at my portfolio, where was I making my money and where was I spending my time? 90% of my wealth came from my apartment buildings that I was pretty much passively invested in. It was about 10% of my time. I pivoted my entire residential investment team into apartments. We went from about 400 units a couple of years ago to a little over 2,100 units now.

WS: I hear so often about people that get into real estate and they develop a flipping business or something about wholesaling. They're creating another job. Eventually, it seems as if they get into multifamily, they're like, "Why didn't I start this a long time ago?" You realized that your wealth was coming from your passive investments in multifamily, is that right?

TB: Yeah. The majority of my wealth was being created in my holdings versus this transactional. If I went and sold something, I keep the lights on, and put some food on the table. I have to go do it again in order to get paid again. We're in real estate, so some of that is the actual cash that was coming in from these and some of it was in equity in the project itself. The reality is my net worth, what was making me wealthy was all from my apartment building portfolio. That's where the majority of the net worth came from. That's where I wanted to focus on. The transactional stuff is cool. You can have a good lifestyle. You can get rich doing that but you can't build wealth doing that.

WS: That was the thing that was taking the least amount of your time.

TB: I raised some equity, raised some capital for some joint venture partners and helped sponsor some of those loans, and got involved in some of my own projects as well. I'm out of Cleveland, Ohio but I invested in South Carolina, Georgia, Florida, Texas, Oklahoma, and a couple of other areas. I took a look at what we were doing. I pivoted my team. I took my residential team. I took my acquisitions guy. I told him to stop looking at houses and only look at apartment buildings. I took my project manager instead of renovating houses, we're going to only renovate apartments. My dispositions guy who was selling our houses, I said, "Instead of selling houses, you're going to be managing the management company, managing our assets."

It was a big mindset shift. It was only a minor pivot for my business itself. It catapulted us. It's a quantum leap from where we were months ago to where we are now and the opportunities that are coming up. I'm at 2,100 units. I have another 1,100 under contract right now. We got a

signed LOI and another 360 unit. I'm looking at the 500-unit portfolio. It's pretty remarkable when you make that commitment to the universe, how the universe responds and says, "I want to encourage you and reward you for drawing a line in the sand and burning the ships."

WS: You mentioned that it was a small shift. To me it sounded like you all have a business, you have these systems in place, and all of a sudden you said, "We're cutting this off. We're shifting. We're doing this over here now." To me, that would seem like a big deal with other people that are involved and other employees. I like the mindset where you said, "No, it's a small shift. Now, we're taken off in a new direction."

TB: It's been great. It's been phenomenal. I wish I would have done it sooner.

WS: I'd like for you to explain a little bit about how you are syndicating deals because it's different than any model that I've heard before or any guests that I've had on the show even. I'd love to know a little bit more about how you're structuring these deals and your syndication process in business.

TB: My model is a little bit different. First of all, I'd never been to a course or a seminar or read a book or anything before I came up with this. I'm friends with some of the big syndicators in the country. I've met them through some different networking panels, discussions, and things like that. I came up with this on my own. It's what made sense for my investors, what made sense for me, and the different types of projects that we were investing in. I call it Bratz Syndication. It's going to be a thing. What I do is I look for value-add properties. This all stemmed from the residential realm. I'm a residential guy by how I got started. What we would do in the residential realm is trying to find a house that you can buy and renovate with holding costs and be all in for 65% of the stabilized value.

I figured when I'm buying apartment buildings, why don't I follow that same method? I see a lot of people in commercial real estate buying things like retail prices. For me that never made sense. I'm always an investor. I'm always looking for a discount at a wholesale price. For me, I only buy apartment buildings where I can be all in. Instead of talking about a house that's worth \$100,000, you've got to be all in for \$65,000. I'm looking at a \$10 million building. I need to be all in for \$6.5 million. How do you get those kinds of deals? One, you've got to find usually distressed assets. It's usually physically distressed or from management, perspective distressed or some motivated seller in some capacity. We're able to come in, buy those, renovate them, and force that appreciation by all the sweat equity that we put into these things.

Because we can force the appreciation so much in a very short period of time, I turned around and refinanced my properties in twelve to eighteen months on average. I buy it, renovate it, stabilize it with good tenants and good management and we turn around and slap long-term

debt on it. We go and get an agency loan at 75%. On a \$10 million deal, they'll give me \$7.5 million. That allows me to pay off my equity investors and my bridge loan, my construction loan of \$6.5 million, and my all-in price. That leaves me with a spread of \$1 million of non-taxable refinance proceeds. I'm able to get my investors out that quickly and I could stabilize property in a very predictable amount of time, I'm able to then project how much I'm going to spend on debt service if I pay them as if it's either debt or a fixed pref. I pay my investors at 10% pref. I know that if I'm going to borrow \$1.5 million over the course of twelve months, it's going to cost me \$150,000. I add that to the basis of my property. I buy it and renovate it. I'm making payments regardless of the property's performance to my investors.

My investors are happy because they know that they could see the money coming in on a quarterly basis into their bank accounts. When I turn around and refinance, I keep 90% of the deal. I pay 10% of the equity to my investors in perpetuity. They made a good return on their investment while it was in play for twelve, eighteen months. They get all their money back. They get 10% of the refi proceeds so another \$100,000 that boosts their IRR to closer to 20%, 25% almost. They get 10% of all the cash flow in perpetuity and 10% of any future sales proceeds. They come right back to me and say, "Tim, let's roll it into another deal." I'm able to give them a little bit more velocity on their capital than they can in a traditional syndicate. It allows me not to have to raise money every five years. I can raise money one time and rotate through that same amount of equity every 24 months. I use the same equity investors in many more deals. I can take down more deals because of it. It's a lot more work on my team and on me because we're taking on these heavier value ads.

Our background, our risk tolerance, our business acumen, and our project management, our skill sets, our unique abilities are, it makes a lot of sense for that. You've got to find awesome deals. Most of our deals are off-market direct-to-seller deals. We very rarely buy through brokers. Number two is you've got to have a badass project manager in place. People who know how to renovate a property and run crews. I have one deal that we're spending \$10 million in CapEx over the course of about fifteen months. You're talking about \$600,000, \$700,000 a month that we're putting into these things. That's one of my projects.

There's a lot of heavy value-added in there. It makes sense. I don't take an acquisition fee. I don't take any asset management fees. I only get paid when the property refinances. When the property refinances, that's when our investors get all their money back. We're in the same boat, rowing in the same direction, and visions and goals are aligned. I'm not taking away from anybody who traditionally syndicates. In traditional syndication, there are incongruent goals and objectives for both the syndicator and the investor. The way that I've framed it has worked well for what I'm doing. My investors seemed to love it too.

[INTERVIEW 2]

WS: Our guest is Adam Ulery. Thanks for being on the show Adam.

Adam Ulery (AU): Hey, thanks a lot for having me Whitney, I'm really excited to be here with you.

WS: Awesome. I'm glad to have you on the show Adam, it's been great to get to know you a little bit over the last year or so, and see you making it happen in this business. Looking forward to hearing more about your story, but Adam is a business agility consultant, focused on helping organizations clarify and meet their business outcomes.

Adam is also a real estate investor, helping busy business people energize their retirement plans through multi-family real estate investing. Adam is a head of investor relations for Dreamstone Investments, and is the cohost of Tech Guys Who Invest Podcast, and Tampa Cashflow Education Meetup. Adam, thanks again for being on the show, give us a little more about your focus right now, maybe where you came from, and let's talk about your super power, and just really getting into this business and the mindset that you've had. I feel like, again, you can help so many of the listeners including myself.

It's such an important piece of getting started in this business and being successful, whether you're passive or active, but get us started out.

AU: Yeah, awesome, thanks Whitney, I guess I'll give just a little bit of context. What is in my industry known as an agile consultant so as you mentioned in the intro, so I come in and I help large businesses, very large enterprises, fortune 100, fortune 500 companies, change the way they do business, primarily focused on how they deliver software and other complex products. It doesn't have to be software but – with that, I'm really more on the process side of things and helping teams learn how to collaborate well together, learn how to optimize their processes, and just approach their business in a different way.

I love this day job, it fits me like a glove because I 'm a big mindset guy, I love helping people grow and improve. But you know, with the day job, there's some lingering fear of, how safe am I? What if something unforeseen happens? Like, you know, something you can never predict. I don't know, a global pandemic and all of this – not everyone, you know, needs consultants, that's one of the first things to go.

A few years ago, I was having a conversation about this with a coworker of mine. You know, I just wasn't sure how to break out of the rat race and be able to achieve financial freedom. She asked me if I read this little book called Rich Dad, Poor Dad. I said, "No! I've heard of it, but I've heard of some other financial books, I listen to Dave Ramsey." She said, "Why don't you check that out?" I read that book, blew my mind, completely opened it up for me.

I just dove into that like crazy, got that book at the library by the way. Went back to the library, got a bunch of other books, finally figured out real estate investing was my ticket to wealth, right? What I'm going to get to here in a second, Whitney is, one of the reasons I think I may be able to help some people listening to this show is I'm just an average guy. I'm a guy who is breaking out of an average life into an extraordinary one. I didn't think I could do that, there was a point in my life where I just sort of saw myself as just Adam, you know, doing a good job at work. But for anyone who has thought, "Wow, I would love to syndicate deals. I would love to do big deals, but I just don't know if that's me. That's for other people," right? I'm telling you, you can do it.

I am an example of that because just a few years after reading Rich Dad, Poor Dad, me and my team just closed a 90 unit deal last month. We're under contract on our 100 unit deal right now that we expect to close in a little over a month. I never would have thought I could do something like that. It all begins with your mindset. It really begins with believing you can, and educating yourself, and then taking action.

Whitney, you mentioned my super power and I think its servant leadership.

WS: I feel like that's a great super power and it's a place we could all improve on that's for sure. But I want to hear more about just what does that mean to you, why is that important?

AU: What it is to me is someone who serves first and leads by example. The difference between this and someone who has a leadership-first mentality is, with a servant leader mentality, you're making sure the person's needs are met first. You're taking care of the person, and then you are helping them by leading them. That comes after you make sure that their needs are met.

With a leader-first mentality, there's a little more of a dominance thing and you're more concerned with the power and leading and having the authority than you are with making sure the person is growing. For some reason, I'm just wired that way. It fits me well.

WS: Nice, I love how you explain that just – you serve first. You heard that often, you know, but really, do we do that, do we think through that? I like how you said making sure the person's needs are met first and helping by leading. Can you tell me, I mean, I know that's not commonly understood? I think you had mentioned that, can you give us an example or go into depth about what does this look like on a daily basis and why is that beneficial?

AU: Now, that's a really good question. I'm a consultant by day, I'm a coach for our clients. An example is, meeting a person where they're at. What I do is introduce a pretty drastic

organizational change to people. A lot of people are afraid, deep down inside. Now, they would never describe it that way, but it's fear driving their behaviors. So you'll see some dysfunctional behavior, resistance to the change, those types of things. If you can empathize with them, meet them where they are and help them through that, figure out with them what's their fear, what's going on there, and partner with them to solve for that.

Get them through that, then it opens them up to your message and to the change, and now you can start to move them forward. But you have to meet them where they are. If you don't go in with that kind of mindset, you'll never win them over to grow. They'll dig their heels in and they'll stay where they are. That's one example. With the investing stuff, it's a very similar thing. Someone may be thinking, "Yeah, I want to but," and then there are a million excuses.

We have to kind of help them see through what's really going on there, get to the root, discover that and solve for it. And then, ultimately, help them understand, you can do this and you should, because it will not only unlock freedom for yourself but for your family and your loved ones, and you can make a great, exceptional life for yourself, where you impact the world. You impact those around you for the better.

WS: Mindset shift is so important, and I talk about this when I'm speaking all the time. When I first started thinking about this business and growing and scaling, it wasn't until really, I took a big mindset shift and really committed before things started to happen. Mindset is so important. I just said, "Never give up mindset," is what I say a lot of times, and the scarcity mindset is almost something that we're just taught. I know the listeners heard it yesterday, we talked about this one with another guest briefly. But that's scarcity mindset just really holds so many people back, right?

I mean, you really don't believe, it's going to happen for you or that it's even possible. I mean, you don't have to step out there. You're afraid to put yourself out there. How did you get yourself past that?

AU: Yeah, absolutely. For me, surrounding myself with positive people with the right message. People like you, Whitney, and others who encourage you to grow, to move past the fear, to grow your mindset, to take on this abundance mindset. Surrounding myself with those messages, because I hadn't had exposure to that before, it's one of the reasons I was where I was.

I had to kind of elevate the people I was around, elevate the level of the mentors who I chose to follow, and that's huge, right? You've got to have that kind of message that pushes you and stretches you forward. Education's a big piece of it but you have to have a good quality source. I mean, I remember when I met you, we met the first time at a Rod Khliief Event, and I

remember when I met you, I was like, “Man, that guy is impressive and where I want to be one day.”

Could I see myself doing some of the things he’s doing? That’s what I thought about you when I met you. Was it – you know, I was asking myself, could I do this? I’m happy to say I’ve been working on that ever since and trying my best to grow and do similar things. That’s kind of the attitude you want to take on, and surround yourself with messages that support that, and let you know you can.

WS: Wow, thank you for that Adam, I appreciate those kind words, I probably would have said no, you need to go look at somebody else but I’m grateful for that in a big way. Tell me though how you have stayed encouraged through that time, and through that transition, because it’s easy – and I know listeners are probably going through hit as well, I know I did. Just when you’re pushing through that type of mindset, that mindset change, it’s not easy because everybody around you typically, your network hasn’t changed yet at that point.

People that you’re still surrounded by are still saying, “Really, why are you doing that?” You know, or, “Are you really going to put this many hours in?” Or, “Why are you doing this to your family?” You know, all these negative things, it may even start to question yourself, right? How did you stay encouraged and stay focused?

AU: For me, I sought out that message from mentors. I would look for people who could help me grow, even if I didn’t personally know them. You know, like listening to your podcast, listening to other podcasts that would have that kind of message, finding books and other materials that would start to teach me this. I had to learn this and I didn’t even know that I needed to learn this when I first started out.

I think really just taking action to intentionally grow. You’re hearing us talk about this, if you’re listening to the show right now. Proactively go take a step, go to the library and find a book, listen to more of Whitney’s episodes. I don’t know, figure out ways to get the information. That’s what I did, I educated myself and was just hungry for it.

[END OF INTERVIEW]

[OUTRO]

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