EPISODE 1365

[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 Brian Robbins. Thanks for being on the show, Brian.

Brian Robbins (BR): Thanks for having me, Whitney. I appreciate it.

WS: I'm excited to have Brian on the show. He's a good friend of mine. I've known him and his family for quite a few years. Brian is the author of Done!: The Professional's Guide to Double-Digit Returns, Multi-Generational Wealth, and a Worry-Free Retirement. He's the Founder of Wellings Capital. It's an income-focused multifamily real estate investment firm centered on providing stable, yield-producing investments to their clients. Their asset management partner has over $150 million in performing multifamily assets under management. He's the CEO of Cornerstone Complete Care Incorporated, a multidiscipline physical medicine clinic. Brian, give the audience more about who you are and what your focus is.

BR: I'm a practicing chiropractic physician. I'm also involved with multifamily real estate. We got involved a few years back. I have syndicated a few deals and have written a book on how to get involved with this great asset class. I've got ten children. I stay pretty busy.

WS: I know your family. They're amazing people. It's an amazing story there as well, which we had time to know more about that story. Brian, you wrote this book called Done!. Tell us a little about that book and let's dive into a few things.

BR: As a physician, things have changed in the last years quite drastically. I got involved in helping people. The focus of what I've done with my life has been to bring cutting edge physical medicine to patients. We have a multidiscipline practice. Our hands have been more and more tied by government intervention. They've changed things quite a bit. It's gotten to the point where I spend more hours in a day about documenting, answering questions and writing forms for insurance companies. I got tired of it. I didn't get into healthcare to be a glorified government healthcare worker. I got into it to have the freedom and help people. I can't do that anymore.

That's what got me interested in writing a book on laying out a step-by-step plan for professionals to take their occupation and use it to generate passive income for themselves. Hopefully lay out a roadmap where they can provide that stepping point or launching point for themselves to get out of medicine if they choose to, whether it's a veterinarian, a dentist or chiropractor. Providing for themselves, it doesn't mean they'll have to if they choose not to. They may enjoy what they're doing. They can do it without the stress and pressures of having to depend on insurance companies and fighting with the clerks and small offices located someplace else that are telling you how to treat your patients.

WS: It changes things a lot when you can work because you want to instead of because you have to. Could you tell us a few of those steps if somebody wants to be a passive investor, but they have that busy practice? It's like you're thinking, "How in the world could I ever own any real estate?" Could you lay out some of those steps for us?

BR: You have to sit down and decide what you want. Lifestyle investing is a term we didn't come up with. It is a term that describes figuring out what you want to do and invest to help you accomplish that. Multifamily real estate and apartment complexes, especially in the commercial realm, they have a great way to make a great income. When you take that and you combine that with a full-time job, sometimes that's hard. You don't want to be up at 2:00 AM plumbing toilets or tenants calling you. Real estate syndication provides a passive opportunity for investors to get involved with real estate and not have to worry about trash, tenants and toilets at 3:00 AM. That's probably the biggest step in understanding real estate syndication and pooling resources with other like-minded investors and taking down larger assets so that you can capture the value of the commercial multifamily investments.

WS: Busy professionals are thinking about what they want. What are some common things that they are going to need to consider when they're trying to figure this out to get started?

BR: Take single-family rentals versus 100-unit apartment complex. You don't have time to manage either one, quite frankly. You don't want to be up late trying to deal with problems from a tenant. When you have a 100-unit apartment complex, it produces enough income that it underwrites the salary of a professional property manager. A professional property manager can be hired to come in and take all that hassle away. They'll have a leasing agent and people that take care of all the mechanical aspects of the property. The only thing you have to do is manage the manager. That can be done during normal office hours. That can be done in leisure time. That's if you're a syndicator. If you're not a syndicator, it's even more passive because all you do is you invest your money and you sit back. On a quarterly basis, you're going to take a look at what your investment produced. You're going to look at reports from your syndicator. This is taking advantage of the wealth building opportunity that multifamily apartments have, but you're not getting all the downside associated with it so you can continue your lifestyle.

You can continue running your practice then take that money and put it into a hard asset. I'll tell you a quick little side story. What got me interested in this a number of years back was I was working with patients during the day. I walked in and there was a guy sitting on my exam table. He had tears coming down his face. He was obviously in a great deal of distress. I thought he had back pain or neck pain. I thought he's in a lot of trouble there, but that wasn't it at all. In fact, he said, "What am I going to do Dr. Robbins?"

I said, "I don't know. Tell me what's wrong?" This was a couple of days after the big stock market crash. He said, "I put all my retirement funds in the stock market." I was like, "I'm trained well how to take care of back and neck pain, but this is not my specialty." We talked about it a little bit. It turned out he had taken his company stock, transferred it over, put it in there and it dropped by 40% or 50% overnight in a couple of days. I didn't want to be in his position. I didn't want to be sitting on some doctor's exam table somewhere talking about how I had worked my entire life and half of it disappeared overnight because that was invested in the stock market.

That's what got me most attracted to this asset class where you can own a physical building. You can go visit your property anytime you want. If you're an investor, whether it's syndication or you own your own place, you can go and knock on the doors. You've got something. If the stock market crashes, people still need a place to live. The industry likes the term evergreen investment. There's always a demand for housing as long as people like to have roofs over their heads. I told that story in my book, but that's what got me interested in this field the most.

WS: Our audience, you've convinced them. They know that they want to invest in large apartment communities, multifamily. What is the next step that we should be thinking about as a busy professional to help generate that passive wealth?

BR: There are different asset classes, but multifamily seems to be the one that I like, that and self-storage. If you're going to go with multifamily, you've got to figure out where you want to invest. You've got to sit down and talk to a syndicator. If you want to invest with a syndicator, you want to do it yourself. You want to go for a larger asset. You want to go for a smaller asset. You've got to walk through all those steps. Finding somebody who can trust, if you're going to invest with a syndicator, that's incredibly important.

You want to see somebody's track record. You want to be comfortable with them as a person because you're going to be working with them for a while. They're going to be managing your investments. You want to make sure that they have a great communication system. They have a decent team around them. They understand the asset category. They understand how to find value add assets that they can improve and create wealth for themselves and for you as an investor. That's critically important, finding the syndicator if you're going to go that route.

[INTERVIEW 2]

WS: Our guest is James Kandasamy. Thanks for being on the show again, James.

James Kandasamy (JK): Hey, Whitney, happy to be back on your show.

WS: Yeah. I'm happy to have you back. James is an expert in this business and it's always a pleasure to have him on the show. In case you haven't heard of him, I would encourage you to go back and listen to a couple other shows. I know he was on show WS27, believe it or not, and WS101. We talked about numerous things, about hidden value in multi-family investments and how to vet a sponsor. I mean, there are lots of things about passive investing. Let me just get into his background a little bit in case you haven't heard of him.

Since establishing Achieve Investment Group, LLC in 2015, James has syndicated nine large apartment complexes, totaling 1,700 units and has grown his portfolio to 130 million plus. His pragmatic skills in solid communication, interpersonal, analytical, and organizational leadership skills as well as his deep rooted background in real estate investment are what makes him unique. With over six years of experience in real estate and more than four years in multifamily acquisitions and asset management, James harnesses his experience to drive to offer clients firsthand, vertically integrated services and multi-family investment finding off-market deals, asset, construction, and property management.

Now, James, thank you again for being on the show. It wasn't in your bio, but I'm going to tell the listeners anyway, he is the author of a great book. It's called Passive Investing in Commercial Real Estate. I mean, if you're a passive investor in this business, it's definitely a book to start with. It's definitely a book that's going to help you to make a better or more wise investment in this space.

We're going to talk about numerous things about that during the show today that the passive investor needs to know. James has focused on this and is very knowledgeable about helping the passive investor. So, James, welcome the show. Tell the listeners a little more, or maybe give them an update since the last show, and let's jump in.

JK: Sure. Absolutely. Absolutely. So, happy to be back. I can't remember. I know you mentioned a few podcast episode, I just did not know when exactly was that. But I believe one of it was like when I recently launched my book, like one and a half year ago. I mean, that book, like it's crazy. I mean, I just can't believe it. I mean, I wrote it because I was passionate about teaching my passive investors that real estate is not a commodity, especially real estate syndication it's not a commodity, right? It's not the same. A lot of it depends on the sponsor. The passive investors need to know how to underwrite deals. At the same time look at different market cycle, look at different capital source, and how can they optimize their passive investments to be very successful for themselves, rather than just going and blindly investing in every single deal out there?

I mean, that's why I wrote the book. And it's like top 15 book by Jim Cramer, The Street, which I didn't even know, right? I already sold like two thousand copies, paid copies, not even the one that I give free, right? Once in a while when I go for meetups, sometime I do give for free upfront. So selling that many books – I mean, writing a book is one thing. I mean, you can claim yourself as an author, but whether your book sells or not and people read about it, and we have like 64 5-star reviews right now, and it's just amazing.

So, I'm a deal sponsor or what we call a syndicator. We own like almost 2, 000 units in Central Texas, which is Austin and San Antonio. Yeah, I mean, author of that book, and I have my own podcast, Achieve Wealth Through Value Add Real Estate Investing Podcast. We are vertically integrated. That means we own property management company within our asset management and acquisition arm as well, which gives us a lot of advantage.

I really like to focus a lot on off-market deals, just because I think that's where the biggest bang for the buck, because if you go and buy deals on market through sell bidding, you probably – Is the highest paying guy out there. You probably need to really hope that the price is going to go up from where you buy, because fundamentally you overpaid for that deal, right? On the day you won the bidding process, you fundamentally overpaid.

WS: What's been the key for you to find or get connected to achieve or finding off market deals?

JK: Yeah. I think in the beginning it was more like me going direct to sellers, but after I do one or two deals, I got like two deals direct from sellers. Actually three deals to direct from sellers out of my nine deals. A lot of it, brokers start coming to me, but I think the key thing about off market is for you to get started, right? Because it's very hard for a newbie to get started buying a good deal in a good market from a broker directly, right? Because brokers, they have a lot of buyers in front of them. A lot of experienced buyers who they want to maintain relationship, and they don't want to risk their couple of hundred thousand of commission just because of some newbie, they want to help out newbie. Unless they are your family or very close friend and they really want to take that chance, right? So they don't do that. Yeah, brokers, direct access to brokers through off-market deals. At the same time we used to do a lot of direct marketing to sellers when I get started.

WS: Nice. Well, James, let's jump right into – I know you have learned just some secrets about passive investing, especially after writing the book too, and you're helping lots of investors. Let's help them today as well that are listening. Different things you've learned. Things they need to be thinking about. I know we briefly talked about even just deal structuring and analyzing and IRR and some of those things that, as a passive investor, they need to know to look at.

There can be so many details, it can seem overwhelming as a passive investor. But get us started with some things, secrets, things that you've learned recently, that is really going to benefit that passive investor?

JK: Sure. Absolutely. Absolutely. I mean, when I wrote the book, I was really focused on introducing the passive investing world to the masses, right? So, it was very basic chapter one, and after that it goes a bit more detail into like chapter three, four, on onwards to up to chapter seven. There're a lot more advanced concepts, which people, an experienced passive investor would really appreciate, but it was still very basic. This is how you want to invest in passive investing.

Writing a proper book takes a lot of time. Takes like one and a half year for me to write that book. I was in this world where I had a group, a circle of people within me and – I mean, first of all, introducing that whatever I know to outside of my circles. At the same time I also realized that within my own mindset, I'm also limited in terms of knowledge what's happening outside in the industry. Because syndication is private, right? Everybody don't talk about it. It's not like you can go and type an article and find the details of investment structures that every sponsor or syndicators are putting in.

After I wrote the book, six months after I wrote the book, I started talking to more people, starting exploring my network a lot more, and I found out there's a lot more things that I should be updating, that I should be educating passive investors. Of course it's a bit more advanced concept and, which I want to share it right now. A lot more things to educate passive investors, especially if they already like started investing, right? Some of the things I'm going to cover right now.

So, one of it is basically how do you analyze a deal? How do – I mean, in the book I think the second chapter I talk about personalizing all investment, right? So, if you are a cash flow person, you want lower rates, you want more high cash flow, you go into a cash flow deal. Whereas if you're a young person who want to multiply your equity and you don't really need the cash flow right now, you go and do a lot more into the deep value-add and value-add deal. So, this is how it is, right?

But I also learned – I mean, I also know that there's a lot more advanced concern on how to put that into numbers, right? So when someone give you a deal, right? Deal A versus deal B and has cash flow every year, cash flow. I said, for example, 10,000, 10,000, 10,000 every year in deal A. And the second deal is like maybe it's 5,000, 5,000, 5,000. In the back end you get a lot more, versus the first deal you get a lot more on the cash flow like 10,000, 10 000 but you get less in the back end. Which one is better? Which one is good for a passive investor?

The concept that I'm going to be talking to you and your listeners is something where we look at an investment. We have overall metrics of any investment. The best way to summarize it is usually IRR, right? When people talk about cash flow, yeah, cash flow is the ultimate goal. But it's ultimate goal for people who are focused a lot on cash flow, right? It may not be focusing a lot on the back end, right?

So, it's very interesting that some people are focusing a lot on the back end, some people are focus on a cash flow but, in the commercial real estate world, the advantage, the Wall Street of commercial real estate, they do give a lot of value for cash flow, because cash flow is more certain. The risks are lower, right? Because you're going to say, "Next year I'm going to pay you this much," versus five years down the road, "I'm going to sell it at this exit cap rate. We may sell it. We don't know." I mean, we put a lot of clauses for the five years down the road, right?

That value on the exit on the on the back end is actually lower value compared to the cash flow, right? But how do you analyze it? Which one do you want? Which one is a better deal? Right? So, the concept that I'm going to talk about is something called risk adjusted return, right? So if there's a lot more cash flow, your risk in that deal is lower. Your return is higher, because you're focused a lot on the cash flow. Whereas if your cash flow is lower and you focus a lot on the back end and your big money is coming on in the back end. So, that is risk is high, return is low, right? Because, I mean, even though you get a lot more money, but still the risk is high, right? The concept of risk is sometimes people don't talk about it. People just talk about flat numbers, right? Which is very, very least sophisticated of looking at investment.

[END OF INTERVIEW]

[OUTRO]

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