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[INTRODUCTION]

Josh Emison (JE): To be able to invest right now in syndication, which is just a bunch of people putting capital together to invest in real estate and somebody manages it, it would be using the blockchain on the back end. So they have, they don't even realize that they're using it. It's really easy-to-use interface but they get all the benefits.

Sam Rust (SR): This is your daily real estate syndication show. I'm your host, Sam Rust. Joining us today is Josh Emison, who is the CEO and cofounder of Sansbank company, democratizing commercial real estate investing. Josh has a passion for educating people about the power of real estate and blockchain. Nothing makes him happier than putting those two things together. He lives in California. And if he's not at his happiest activity, he's spending his free time reading, playing soccer and surfing. That's a good mix of activities.

[INTERVIEW]

SR: Josh, welcome to the show. Thanks for joining us today.

JE: Thanks so much for having me, Sam. Appreciate it. Good to be here.

SR: So we were chuckling a little bit before we went live Josh, we're investing in Bitcoin and in real estate, what? What's going on here?

JE: Yeah, totally not Bitcoin at all. Yeah.

SR: I think that's a really important point that I wanted to lead off the show. We'll get into some of your background here in a minute. But people, here, blockchain and they go to like the two other buzzwords that they might know, which would be cryptocurrency and Bitcoin, can you dispel some of those myths for us?

JE: Yeah, for sure. So I think the big thing to remember is that blockchain is just an underlying technology, that's basically a ledger, right? Where it's immutable, it's secure, and any it's public. So it's very transparent, what you can do on that you can do a ton of things, right? So as a ledger, right, the most obvious thing to do is record transactions. And where we record the most transactions well in finance, so they came out with cryptocurrencies were designed, whether one was designed and blockchain was designed to support the cryptocurrency or the other you have that debate, but they all live on the blockchain. And then Bitcoin just happens to be one of those cryptocurrencies. That's kind of the distinction there.

SR: You dive in into that, Josh, that's helpful. Draw a distinction between those things for the retail person who has heard these terms, but doesn't know how they intersect. What was kind of the the "aha" moment for you when you wanted to put together crypto in real estate? Which side of the equation did you come from?

JE: Yeah, I came from definitely interested in blockchain. I've been researching it, investing in it for a couple years. I came from more of the real estate side where I started getting into real estate or learning about syndication and saw huge obstacles that most people have to invest in syndications, right, either whether it's accreditation, or some of them let you do you know where you end up your credit, but there's five minimums, not liquid, you're usually in it until it's over. And so I was like, "Man, what are ways that you can get around this?" And blockchain does seem to be the perfect fit for that.

SR: If you were to describe an ideal landscape, not now, but in the future with how blockchain is going to be used in real estate in a way that the average investor could kind of grasp and see the value that it would drive by marrying those two concepts. Could you spend a couple minutes just explaining that vision?

JE: Yeah, yeah, for sure. There's so many, but I'm gonna go through the investment route first, right. So the first way would be to be able to invest right now in a syndication, which is just a bunch of people putting capital together to invest in real estate, somebody else manages it, it would be using the blockchain on the back end. So they have they don't even realize that they're using it. It's a really easy to use interface, but they get all the benefits. So it's they get low minimums, they can have no accreditation, because easy to comply with SEC laws. And they're using the blockchain, which is a big blocker for a lot of people. And you can create liquidity because it's easy to create secondary markets should now these types of alternative investments are available to everybody. Right.

So I would say that is gonna be a huge piece that we're already starting to see getting built out. So we're working on something on the loan side. And then the other big thing on the single-family home side would be instead of titled, you have NF T's where each entity is tied to a specific property, any lien would be against that specific NFT, any update that happened to that house will be recorded against that NFT. So you basically don't need a MLS that's being maintained by real estate agents anymore. Everyone would just have their own entity that they own. They would, it's clear who owns it, what works been done on it, if there's liens on it or not. And you get to remove a lot of middlemen, right? You get rid of escrow your title, you get rid of a ton of stuff, and it's better for everybody to have it that way.

SR: So Sansbank, I was scrolling through your website, there's a lot of different use cases that you have on there for borrowers, for lenders and for investors. I'm curious, do you have a property? Can you lend or borrow against only a fraction of it? Or do you have to sole ownership of the asset and how does this work for single property owners versus syndications?

JE: Yeah, so for us since we are just debt, right, we're not actually fractionalized equity, if someone owned a property that was cash flowing, that's what we loan again. So we pull in their current P&L and some economic data to project out how much cash topics they're gonna be making in the future. And then we use those future profits as collateral for a loan. So it's really up to the stretch like the people who own it. If the syndication and the PPM already to joint venture or single operator, then it's just a loan to them.

SR: So you described an ideal future. I've been to a couple of events, talking about real estate and blockchain and all these cool use cases that people can envision are working on building, but we're not there yet. And it feels like kind of a chicken and egg problem. What do you see as the big hurdles that need to be overcome? And can you put a timeline on those hurdles? Widespread adoption, because there's obviously like, Sansbank, you guys are live, this is a real solution now. But to get to where we want to be where this is ubiquitous, what's it going to take?

JE: Yeah, yeah. So I mean, we're actually still building a product, right? We're still taking investments. And we're building out the technology, because it's so new, right? I think the old article that we recently overcome is the technology wasn't developed enough to actually be compliant with SEC laws. And now that that hurdle is done, all that's left on the investing side, is people actually building out products on top of the technology that exists, and then telling people that it's out there, right. And the more people that know what's out there, the more people are gonna use it.

But on more the other side, right, like a title side, that's more or less like a government thing, right? You have to work with local governments, you have to work with current players. And I think, that again, becomes education problem and and adoption follow, and real estate can be slow to adopt new technology. So I think on the investment side, you're gonna see in the next couple years, mass adoption of fractionalized real estate via the blockchain, but then on the other side is going to probably be, I think, probably about five years before you see large scale adoption of NFTs for titles and that kind of thing.

SR: So you talk in your bio about the democratization of capital. And that's something that I've said in reference to our business and with the job act and everything else, like we can syndicate from large groups of people under 506C and B exemptions, but I think you're talking about a whole another level. What do you mean when you say democratization of capital and how blockchain is going to facilitate that?

JE: So that's the question because right now, the 506C seems to be less. And the jobs are still accredited Master's mostly right for up to 35 non credit investors if you have a pre existing relationship, so it's still not that widely democratized. But using another job back exemption regulation eight plus you're able to offer it to non accredited investors. The problem is that it's just can be kind of expensive to get that exemption. And once you have it, it can be difficult to comply with everything right?

So with a blockchain, since it's just a ledger, we can record who uses it, we can record whose account belongs to who so that we're still compliant. And then we can distribute the capital via the blockchain that gets us away from transfer agents, get this away from lawyers. So we reduced the cost of the issuer to be able to onboard a bunch more investors right now. They're open to having these smaller investors to now you can you have $100, $200, you can go invest in commercial real estate, when in the past, the minimum was 25, or $50,000.

SR: There's been some debate in circles that liquidity bump, but you'll get to the ability to transact that really small fractional amounts over time, attract folks to the space and drive valuations up. Do you see that as a potential in the future?

JE: Yeah, I think that's going to be one of the biggest drivers of this adoption is liquidity, right. And I think even people who are doing normal 506C or B raises, they're going to adopt this technology, even though they don't have a problem raising money, because the people that they that they're taking the message from want liquidity is an option. And there's definitely a premium on that.

SR: I know you guys that Sansbank are doing quite a bit to educate folks. What have you found is maybe the sector that has driven the most excitement among folks that use utilize your platform?

JE: Yeah, I think it's, they can expand faster, right? So from the borrower side, I guess there's been there's two sides, right, there's investor side and the borrower side. And so on the borrower side, they liked that they can, and I'm talking to somebody actually, later today, who is finishing up a value add on a multifamily real estate, they're sort of bumping up that cash flow. And then once things stabilize, even though they wouldn't be able to get a cash out refinance, because they don't have enough equity, if they only purchased the property when the last year, they're cash flowing great. And we see that as long as they're in the right type of location as a way for them to to pull capital from us, right, because we use our future profits as collateral. So they're able to expand a lot faster, and they couldn't have passed. So people really liked that.

SR: Yeah, I think that part of the platform is only going to gain traction, as we head into a slightly different debt environment, terms are harder to come by, leverage is dropping, people are going to look for ways to get creative, fundamentally. And if you can compress the cost of equity, especially through this type of a fractionalized ownership model towards closer to debt, it's going to become that much more attractive.

JE: Yeah, yeah. And let me take a sec to kind of explain it just to make sure it's it's super clear everybody listening in, what we're doing is we're only looking at profits, right? And so it's not equity at all, we're looking at are you making a profit we've projected out of the 10 years, and we use that as collateral for a loan. So it's all debt. We're not taking any equity from the property owners.

SR: So how long have you had Sansbank been around? What led you to starting that, that whole venture, I know we kind of talked about real estate and blockchain, but to come up with this idea of a platform on its own, not usually something that just creates itself out of thin air.

JE: Yeah, for sure. So I grew up kind of all over the country and lower to middle class areas, right? Not like basically no financial literacy. I started a sales company a couple years ago for learning about real estate, for learning about these barriers that people where I grew up had to getting into real estate. And so I was really looking for a way to democratize that access, right? And I wanted to do it debt base, so that way, there's no real risk. I mean, there's always a risk, but less risk of principle, right? If it's equity based and value goes up or down, you know, going up, maybe people are saying values are going down in the future. But if it's debt, just debt, right, so I wanted to democratize debt specifically for the people that I grew up with.

SR: As you've looked at growing as you've sought growth, attracting investors, borrowers, what are some ways that you've thought about driving traffic to your platform?

JE: On the property owner side, the borrower side, we're working with real estate professionals, right. So property owners are constantly getting calls, trying people to sell them something or buy their property. So we've found the best way to find good borrowers is to work with property managers, brokers, and loan officers, right. So that way they can direct people towards us when it's a good fit for them. And as well as just kind of networking and telling people about what we do. And on the investor side, right, a lot of digital marketing, webinars teaching people about blockchain, real estate and meetups, just kind of meeting people where they are and telling them about the opportunity.

SR: That makes sense. And I think word of mouth, obviously, it'll be a big part of this as well, as people see it work, get returns and are able to transact on a whim, you know, I have a couple 100 bucks here, I want to pull it out, you know, the use is just getting people used to working in a digital world like that. I think it's gonna be a little bit different. It's more like Robin Hood than anything else, in a lot of ways.

JE: Yeah, exactly. Exactly. And we plan on doing all alternative lending and beyond just the real estate space eventually. And so people would be able to come in and choose what types of loans they want to have a piece of, and they can hold it while it's way better the savings account, right, which is like .06% or something, and they could whenever they need to pull it out they can, right. So we just really want to create people to have really good, really reliable place to put their capital when they and then have have access to it when they need it.

SR: Well, Josh, I really appreciate you joining the show today. If folks want to learn more about what you're doing it Sansbank and other endeavors, how can they reach out to you?

JE: Yeah, they can check us out at sansbank.io, which is our website and they can check out our Twitter. My Twitter is @JoshEmison, they can send me a message and then we do webinars every month, right? So if they want to get learn more about blockchain and real estate, they can sign up on LinkedIn or if they're in Orange County and come to the meetups that I host in person.

SR: Fantastic. We'll put links to all that in the show notes. Thanks, Josh, for joining us today, and providing a little education on the intersection of blockchain and real estate. Thank you to our audience that joined us as well. This has been another episode of The Real Estate Syndication Show. I'm your host Sam Rust signing off.

[END OF INTERVIEW]

[OUTRO]

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