EPISODE 1386

[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.

Don't forget to like and subscribe but also go to LifeBridgeCapital.com where you can sign up to start investing in real estate today. I hope you enjoy the show!

[INTERVIEW 1]

WS: Our guest is Steve Rozenberg. Thanks for being on the show, Steve.

Steve Rozenberg (SR): Thanks for having me, Whitney. I appreciate it.

WS: No, I'm honored to have you on the show. Just from a little bit of our discussion,

I'm excited to get into our talk today and learn more about you and the success that you've had and how you've got there because I know this can be very valuable to the listeners. Now, I wanted to remind the listeners before we get started to go to Life Bridge Capital and go to the contact us page and sign up. I'd love to have a call with you. And through that, we'll schedule a time to speak and help you any way I can.

But a little about Steve, he's a commercial airline pilot who turned investor after 9/11 threatened his "secure" livelihood. I think a lot of us can relate to that. Just thinking we're in a secure corporate position and wanted to try to move into real estate. Now, that we've got a greater understanding, it's not as secure as we thought. Now, he's on apartment buildings and many, many single-family homes and wholesaled over 100 properties. He's been in this real estate game for a while now and just really crushing it.

After meeting his business partner, Pete, they failed miserably as investors, thanks to terrible tenants, worst neighborhoods, and zero structure. It took them years. But with help, they have figured out how to leverage each other's strengths. He's currently on two podcast shows, Landlord Survival, and Lion's Leadership Den.

So, Steve, thank you so much for your time today. I appreciate your time this morning early and being on the show. I wanted to tell the listeners also. I wanted to give them this because Steve has a property management company that's managing over a thousand properties while working full time. And so, there are not many people that I've heard that can say something like

that. So, Steve, give the listeners a little more about who you are and let's jump into how you manage something like that while working full-time.

SR: Sure. Well, thanks for having me. I appreciate it. And yeah, I've learned how to be, I don't want to say, a taskmaster. But I would probably say a delegate master for delegating stuff. So, yeah, my story began on 9/11. I was an airline pilot, and I still am. I work for a major airline. And basically, the safe, secure job that I thought I had on September 10th of 2001 pretty much evaporated on 2001, 9/11. And what I realized was that a safe secure job was anything but, because on September 13th, about 3 days later, I was delivered a furlough notice that basically was saying, "thanks for playing, but we don't think we're going to need you anymore, your services. You're going to be out on the street with 100,000 other airline pilots just like you."

So, I realized that that safe, secure job really was anything but. As a matter of fact, it was actually more dangerous because I was so specialized in what I did. I really didn't have the skills to do anything else. And so, luckily, I never did lose my job. I came within 30 of the bottom of getting furloughed. But it taught me a very valuable lesson. While I still am a pilot and I still love flying and I love everything about that, I also know that it's a job. I know at any point, I could get a notice that says, "hey! We're going out of business. We made a bad financial move," whatever it is.

So I've realized how vulnerable you can be, which is why started buying real estate, and I started flipping properties, wholesaling properties, and got a lot of – Did very well with that because I was really negotiating really. I wasn't actually taking possession. I was wholesaling in contracts. I got enough money and bought an apartment complex with my business partner still to this day. We sold that, and then I started buying some houses and made some very tactical errors on that, kind of the, "we're the smartest kids on the block because we just made a lot of money selling an apartment complex." It kind of challenged what we had, and we started buying a lot of stuff. And they really were not good properties when I say not good properties, they were low-income properties. And it's not that those are bad. They just did not fit our business model. Because we didn't have a business model, it didn't fit anything.

And so, we thought they would be passive, and they weren't. Anyways, that led to us having to figure out how to manage them, which we did. That led us to get other investors wanting us to manage their properties, which we did. And one of the best things we actually did is we got a business coach before we even realize we had a business and basically just did everything that the business coach told us. It was very big in investing in ourselves' self-development, understanding business model structure, and growing a company within 7 years.

We manage about $160 million in assets. We collect about 1.6 million per month in rent. It's all single-family properties, which obviously have their challenges geographically. We're in 3 cities.

We're in Houston, Dallas, and Fort Worth, Texas. We're just growing really through the sound business structure. The way that we've been able to do that like we're talking before the show is we've to understand the use of leverage, and I've to understand how to put the right person, right seat in any structure. The way that we do that is we offload things to virtual assistants, and we offload specific tasks that we need to be done, which everyone knows VA, virtual assistant, is kind of the buzzword nowadays.

But we've actually learned how to master it from an operational level, which is very, very tough. So that's kind of where we're at today, and we're just plugging along growing leaps and bounds, and dominating this as much as possible.

WS: Awesome! Wow! There are so many things that I'd love for us to dive into. I know we won't have time to get everything. But this – You had a need, right? You had a need, and I think you partnered with this guy, and you all had some problems, right? It pushed you to learn this business a little better and pushed you to get a coach. We talked about that on many shows, just the importance of having a coach, a mentor, or somebody like that. I mean, it's so crucial. Some of the top players in any industry, all have a coach and sometimes 2 or 3 coaches, right?

SR: Yeah, absolutely. I mean, you look at Tiger Woods, Michael Jordan. I mean, all of the best in the world. Were they the best because they were the best, or were they the best because they were coached? And so, you can say it any way you want, but the reality is this is not a singular sport. Investing is not a singular sport. Running investment properties is not a singular sport. It's a matter of – It's like a general. A general doesn't win a war. His troops do.

And so, people need to – I think the biggest challenge we all have when we get involved in real estate or syndication or anything, everybody thinks that what they do is relative to how smart they are or how good they are. It's not – People mistake progress for movement. I think a lot of us think that because we're busier, we want to be the smartest in the room. Sometimes, that's not the best position to be in. Sometimes, shutting up and listening and taking smarter advice from people that have been down that path is the better way to go. Or, at least, for me it was.

I'm very humble that if I see someone smarter than me, I am at the front of the row, and I'll be their best student. I want to learn from those people, because they have done something that I haven't, and I am not the smartest person. I'm an airline pilot. I tell people. I mean, I've been fortunate enough that we've grown our company. I have a lot of the ability to travel. I do a lot of speaking around the United States, as well as Australia on property management, on investing. But the reality is the only reason I can do that is that I have the team behind me, and I was smart enough to say, "I'm not smart enough. How do I do this?" That's something people have a challenge with, I think.

WS: Yeah. I'm not where I'm at because I'm the smartest person doing everything that we have to do, or it's not possible. You have to figure out at some point that you're going to hire people to specialize in certain parts of the business. But I'd love to get into how you've started to do this. Help us to be that master delegator like you were talking about. You all learned to understand how to delegate, making sure the correct person is in that seat. How do we do that?

SR: Sure. Well, it sounds boring, but it starts with the basics of really what is the goal. People get involved in investing, and you know as well as I do, that people get involved in apartments or houses. And nobody really has a goal or an end destination as to what all of this real estate does for them. So, when I ask people when people come to me and they say, "Steve, I want to start investing," I'll ask them, "why like what's the reason? Because you're a doctor, you're an engineer, you're whatever. It's not for the money right now. So, what is it? What is that going to give you?"

If you don't have a goal and you don't have a final destination, I can't help you get there, because buying apartments, buying houses, flipping, those are not goals. That is the strategy that is going to carry you to that goal. So, I think a lot of times, our definitions are mistaken where we think owning an apartment complex is the goal. That's not the goal. That's the strategy that eventually is going to get you somewhere.

And so, I think that very, very rudimentary, I would say, sit down before you even buy a single door and figure out, "why am I doing this?" What is the goal in life? Is it to pass down to my children as a legacy? Is it to live off the cash flow? What is that, and identify that? And then from there, once you know the goal, then you create the strategy to get you to the goal. So, for example, if you said, "hey! Our goal is to get to Disneyland today." I would say, "okay. The strategy is what freeways we're going to take to get us to Disneyland because Disneyland is the end destination."

So, a lot of people don't do that. I was one of those people that I just got on the freeway and started driving northbound when Disneyland was westbound. I was just driving along, and I didn't know where I was going. They said, "where are you going?" I said, "I don't know. I'll figure it out on the road." Well, you're going in the wrong direction, which means you're spending a lot of time doing movement without progressing towards the goal.

Again, I think thinking is more important than doing. A lot of times, people are so focused on, "how do I do it?" They don't really think about the why. Why am I doing this? I think that if people did that more, that would be the basis to even just start this whole thing off from there. It would be a very – I know it doesn't sound fun. It doesn't sound sexy, but that's the reality of investing.

[INTERVIEW 2]

WS: Our guest is Kay Kay Singh. I'm happy to have him back. Thanks for being on the show again, Kay Kay.

Kay Kay Singh (KS): Thank you. It's my pleasure, Whitney.

WS: You wanted to get into multifamily. You quickly realize how long it was going to take with single-family to scale, so you started pursuing multifamily and started submitting those LOIs. All of them get rejected. Quickly you realized it's a whole new animal than what you had been doing. Let's walk through that approach a little bit because I've had numerous people invest with me and they're looking to be a syndicator, they're looking to get into deals and eventually be a deal sponsor like yourself. They've invested just to learn the industry and learn the business better as you did. Let's help the audience or maybe the potential investor who wants to be a syndicator or a deal sponsor. Go through those thought processes that you were having as far as whether should I be a passive investor so I can learn the business or should I keep putting in my LOIs. Take us back to when you were there and how you decided to be passive and learn to do this business.

KS: When I was in the gas station business and I have a lot of cash flow because I have eight gas stations and a laundromat, my main purpose was how can I reduce my taxes. We bought these 40 single-family houses and ended up paying even more taxes. I signed up on Bigger Pockets and started learning about multifamily and the syndication process. That's when I learned about what syndication is. I started following syndicators on Bigger Pockets and went to their website, kept learning, and read some books about syndication. Finally, I decided to take some courses. When I started, I was not invested in becoming a syndicator, but I thought, "I'm going to keep investing passively." As I started learning, I realized that it was my passion.

I decided to go active instead of passive. I took four courses that had a lot of syndication books, and I read a lot of other books. Also, I got into some motivational stuff since I attended Rod Khleif's camp. It was so motivational. I started learning about motivations. I had been setting up my goals, but most of my goals I can't meet because I was not doing the right way. I started learning about setting goals, how to set goals and how to track my goal and how to be very specific on the goal. I started learning all that motivational stuff and kept moving on onwards and upwards, which is the motto of our company. I kept learning and kept doing some stuff every day. Finally, I invested in seven deals passively. In two deals, I'm a general partner. I kept moving on upwards and onwards and that's how I got here.

WS: You're very experienced as a passive investor. You've invested in seven deals. Let's help the passive investor from your experience to know who to partner with and what we should be

looking for. Maybe help them get started off a few things that they should do to help narrow down the deals, the opportunities to quickly say, "Here are some sponsors that I want to start hearing their opportunities." How do we know who those people should be?

KS: I started following them on BiggerPockets. I have been writing, taking notes, and making links in my Evernote. I'm very passionate about Evernote. I use Evernote a lot. I made a list of sponsors who I found on the internet. First, I started with BiggerPockets. I made a whole list and then I started following them on BiggerPockets. From there, I went to their website, did some research, and did their track record, and how many deals they have done. I started calling them and interviewing them. I made a list of all these 42 questions to ask them. As I kept learning, the list started to grow bigger. I wrote down my criteria of investment but that was passive. How do I pick up my sponsor? How do I pick up the deals? Finally, I picked up one sponsor to start with. The closest one was in Indianapolis, which was Ivan Barratt. I invested in the deal and kept learning. I got access to the reports. Every three months, they send the reports. I go to the portal and I can download the report and read those reports. What's going on on the property? Also, I could see the money flowing in. That's how I figured it out. I did the research on several other sponsors too and I'm invested with four or five different sponsors.

WS: Could you help us with those criteria? Somebody that is just getting started, don't understand how to come up with the criteria they should have. Kay Kay, help them build their criteria for that deal sponsor or the criteria like you had.

KS: First of all in my criteria, number one is the strong growth market. I want to see at the population of the market. I want to see job growth in the market. When I receive these offering memorandums, I signed up with several indicators. I talk to several of them. I got on their email list and started receiving the OM. I go online since I had taken all these classes in the coaching program from Rod Khleif, Neal Bawa, and some others. I know how to discuss the market. I did my own research. From the job market, I looked at the underwriting if it's conservative underwriting or it's liberal underwriting. I do my own research and then I look at my minimum IRR. I want my money to double in five to six years. I always invest with the investors that have skin in the game. That's one of my criteria. I want to look at the cash-on-cash return and the IRR and I like to address it within five to seven years. These criteria may differ from person-to-person depending on their goals and their financial ability to invest. This is what my criteria are. I wrote it down. I am also going to be at some point investing in other asset classes, like the mobile parks and the solo unit, but I'm focusing on the multifamily.

WS: We've talked at numerous events and stuff and it's been great to get to know you and your growth in this business as well and see that happen. One key thing about you is that you have educated yourself. You have spent the time and the money. You've met the people in the

business. Even if you never became a general partner or a deal sponsor, you're much more educated, you are much savvier about investing in these types of opportunities because of the work you've done beforehand. Even talking about a strong growth market and knowing where to find that information and what that should look like, especially to the underwriting and numerous other things you mentioned, most investors are busy with their other business or their day job, whatever that may be. They don't want to take the time to educate themselves as you have. Maybe for the audience, let's break a few of those down as far as the strong growth market, and job growth. What's going to help you see that this is a good market as far as job growth and population growth? Do you have a couple of specific things on the amount of growth or maybe where you have found that information?

KS: Whitney, if there is no job growth or if there is no population growth, you cannot expect your occupancy to be higher. You cannot expect the rank to go up. It's a demand and supply thing. If the population is going down, definitely the vacancy is going to be higher. If people don't have money if people are losing jobs as they did in 2007, and 2008, what they do normally is consolidated themselves. If the son is living separately, they'll move with their parents so that they can make both ends meet. I think these are the basic points population and job growth are the two keys that everybody should be looking at as they invest as a limited partner or a general partner or even if they buy a property for themselves.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being a loyal listener of The Real Estate Syndication Show. Please subscribe and like the show. Share with your friends so we can help them as well. Don't forget to go to LifeBridgeCapital.com where you can sign up and start investing in real estate today. Have a blessed day!

[END]