

EPISODE 1442**[INTRODUCTION]**

Whitney Sewell (WS): This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today we have packed a number of shows together to give you some highlights. I know you're going to enjoy this show. Thank you for being with us today.

[INTERVIEW 1]

Whitney Sewell (WS): Our guest is Charles Carillo, thanks for being on the show, Charles.

Charles Carillo (CC): Thanks for having me, Whitney.

WS: Charles is a managing partner of Harborside Partners, a Florida-based real estate syndication firm with over 250 doors. Charles also hosts the Global Investors Podcast where he interviews professionals about investing in US real estate.

Charles, thank you so much for being on the show, welcome. And you know, Charles and I have known each other for a year or two now and been on each other's podcasts and met at maybe some events, I can't remember now which events and stuff. But it's been neat to see your progress and looking forward to hearing more about your success and where you've come over the last few years. But give the listeners a little more about maybe your background in real estate and let's dive into some things you've learned and help them as well.

CC: I started investing in real estate in 2006 and multifamily in 2009. I purchased my first commercial property which was a small mixed-use. I still own those properties and I self-managed them for six years. I moved to Florida in 2012 so I was forced to put them in professional management which was really the greatest thing that happened because I was very active with the properties, it allows me to kind of stand back and let the properties operate and really get the passive portion of real estate to work for me, which a lot of smaller

mom-and-pop landlords don't ever get. Then now, down in Florida, we're working on doing syndications and small joint ventures.

WS: Nice. You purchased those properties, commercial property and you self-managed for six years and it's interesting, a transition you talked about because I feel like a lot of people can get stuck in that mode, right? I'm going to do it myself; I'll do it better, I can't trust anyone else to do these things or I just don't want the expense either, right? You know, I can save that money if I do it all myself.

Can you just speak to just that mindset shift a little bit and how that maybe changed your mindset? After being forced to hire somebody, how you think differently now about that?

CC: I think it was something when I look back on and I was crazy at everything I was doing and it's really – I mean, it was down to – I remember when I was self-managing at the beginning, I was doing everything. Mowing lawns, snow removal, it was in the north-east so that's a normal thing all through the winter and I was unclogging toilets, I was getting calls, I was showing up Christmas Eve. I remember one time I showed up on Christmas eve to unclog the toilet.

It was something – if those types of things and then you start thinking and you start realizing that the lawnmower, easiest thing, it doesn't matter, it can be mowed on Monday or Wednesday, no one's going to trip and fall in the grass like this easily can go get outsourced, right?

And then it was small things with making relationships with different handymen, even self-managing but just having the access to the people where I'm just passing calls, much more. I mean, I know a lot of landlords that do that now, they'll never go out to the properties but will take the calls and they haven't outsourced that portion.

It's definitely a learning experience and I wouldn't trade it because now when I'm dealing with a property manager, I know exactly what's happening and what's going on because I've been right where they are and right where maybe that handyman is or one of their workers that's at

the property or collecting rent. And how you have to – with C-class real estate, it's not always what it says in the lease and you have to work with tenants and stuff like that, especially where we are now in time – but it's something that is priceless when you look back on it.

But then, I could have done it a lot better which I guess everybody would say about their experience in anything.

WS: How did you begin to grow into all those things, accomplish all those things? I know you've also hired many virtual assistants and done different things like that. Was it through virtual assistants or how did you do that?

CC: Yeah, I really just get the low-level tasks off my plate with virtual assistants and that's very easy and anybody can do that. If you have websites, a lot of people in this business will have a personal and a business website, either you can get that stuff off your plate, have someone manage it, have someone help you with content, place the content, post the content on all these different platforms, we now need to be relevant these days. That's something easy that can be done everywhere.

And I think the conversations, you know, you're not going to have or I wouldn't have, if a virtual assistant reached out to me to invest with someone, I probably wouldn't return the call or email. It's something that has to be done by an operator – telling me exactly and that's where you should be spending your tasks, spending your time on those tasks. Those are really your high-level, thousand-dollar-plus-an-hour task that you're working on that can't be really replicated by anybody else and then figure out and say, "If I'm on the deal-raising side, right, the capital-raising side of the deals, I need so many investors in my database and I need to say that this many percent of investors won't invest in deals I bring. This is my five-year goal." Then break that down and find out where I need to be and then you can kind of gauge where you are.

And the other thing too is it's the effect of the snowball effect where you are – people start seeing you at meetups and even if you haven't stood up and said I have like thousands of

units, people see that and people that are more experienced from you are more likely to work with you if they keep on seeing you. I have people that have never done syndications before that reach out to me that I talk to, probably on a bi-weekly basis. Usually, most people just fizzle out. The people that have, you can probably see this too Whitney, people ask you I want to do syndication and then you never hear from them again or want to do something that you'll never hear from again.

But the person that keeps on contact with you, that's actually making progress on what they're doing, you say, "You know what? I do have a deal that might work for you or I do have a task that I could use help with and that would be great."

WS: Nice, I like how you separated the low-level tasks versus the thousand-dollar-an-hour tasks. I think it's important that you separate those, right? You know what they are and like you mentioned in the beginning, you listed out those tasks or figured out when you were reverse engineering, those goals kind of start there and you're building into okay, now what's important for me to do and still get these other things that have to get done but it's like mowing the yard like you're talking about. I don't have to be the one cutting the grass but it does have to get done. What are some ways that you have been able to scale? You know, what's helped you to scale, and how do you see that moving forward?

CC: I think knowing exactly what your specialty is and then when you are partnering with your groups or you are partnering with other people within your organization and you tell them that I'm focusing on this, it is going to be something, you know this is what I'm mastering. It is important to know about everything else. So, if someone sends me over a T-12 of underwriting, I can review it. I know what to look out for. I can take out numbers and put in numbers that I think and kind of get an idea that maybe fits more with my thinking for that project but I am not going to be one that's going to sit there and put in the numbers. So, I am not going to do underwriting, right? That is not going to be something I do.

So, it is really figuring out what's your special sauce that you can add to a syndication or to a group and then making sure that everybody else complements it. Maybe if one person isn't like

you in the group as well but you have other people that round out what you are not good at or what you don't like doing. So, I think that is a huge factor in scaling.

WS: When did you figure that out? You know I know a lot of people that when we first get started, it's like what we talked about earlier almost is we are going to do everything. That is going to keep you from scaling, right? It is going to keep you small, long-term. When did you figure that out and say, "Okay, this is what I really like to do and I am going to find somebody else that's much better at underwriting than I am going to be?"

CC: I found that out when I was starting to review deals and larger deals and finding out that broker relationships are really a full-time job and reviewing the deals that they send you and giving them quick, within 24-hour feedback on those deals even if it is not full underwriting and then performing full underwriting on deals that you see that kind of pass your preliminary guidelines, right? And I was spending so much time doing this that I was like, "You know, I've got to do this and I've got to raise money and I've got to make sure," and I've got to do all of these things. And I said you know what? It is easier to partner with people that might have this all set, right? They've spent the years, they've built relationships with these brokers in these areas that I want to target. They are focusing on properties that are similar to what I'm looking at. They have a similar game plan with what I am looking for at properties, with a similar hold time. You know we are on the same page, now let me focus on just doing this task or these couple tasks really well.

And then I can bring the most value because someone that's an accountant and you are not a good underwriter, they are just going to be redoing your work. They are going to be questioning you at any point. I mean it is not going to be helping anyone. You are just wasting everybody's time.

WS: How about finding those partners? Any tips on finding them and then ensuring that that's somebody you actually want to partner with?

CC: It is a lot of going to meet-ups. It is a lot of networking that's what I'm saying. So now it is a little bit more difficult but you know the first two or three years, I was involved with syndications it was tons of networking, I mean at events, Whitney, I saw you at all of them. You know every other month and you are meeting with new people; you are talking to people. A lot of people.

It is a very small community in commercial real estate especially the multifamily portion of it and you are going to run into people that you spoke to on Facebook or on different social and somebody that emailed you or that called with and you're putting face to face and you're going to find other operators and you ask them what they need and they'll say, "You know what? We have A and B, we just need C" and you say, "Great, I'm C and maybe let's have a call and do it that way."

And there's a lot of people that are doing the same thing you're doing and they just have different specialties. So, it is really just getting out and talking to people and networking and that's a little different now. It is probably even easier in the sense that you can probably attend more of these, all of these virtual events that we are all getting invited to but it is really just getting out there, finding people that are similar to what you are looking for, markets, everything else and kind of just filling in where there is a void in their group.

[INTERVIEW 2]

Whitney Sewell (WS): Our guest is Adam Craig. He's a founder and managing member of CLE Real Estate Group, a real estate investment company located outside of Cleveland, Ohio. Over the past decade, he has accumulated a rental portfolio of 51 units, having \$7 million in residential and commercial real estate. The key to Adam's success is a genuine passion and enthusiasm for real estate investing and helping others.

Adam, welcome to the show. Honored to meet you and have you as a guest.

Tell me about your transition into syndication there a little more. How did you learn that business? How did you take that step? It's often difficult, right? People there get a mind block or a mental block, taking that leap into doing a bigger deal or working with other people's money. Or there's something that's like, "Oh, you know what, I'm just going to stick to single-family. I'm just going to stick to the small multitis, the things I can handle myself. I don't want any part of that over there." How did you get past some of those limiting beliefs?

Adam Craig (AC): So initially, I thought early on, I didn't tell anyone that I did real estate. I kind of have everything close to the vest. No one wants to hear about everyone else's successes. But, either through a podcast or BiggerPockets reading, I completely flipped the switch on that. I started telling everyone I did real estate and not only that, I started a social media campaign. A couple of years ago, again, I didn't ever think I would be on social media. But I think what I needed on the private lending side was some confirmation that I knew what I was doing. So, that kind of encouraged me to launch the social media thing and share my projects. That way, potential investors or current investors can log in. They can check me out, they can see I mean business, and I know what I'm doing. So, really the exposure from things like these podcasts really helps with the syndication side of things. Because your friends and family might trust you, they might know you but the people that are outside of your immediate network need more than just a little nudge to give you 50 or \$100,000. So, the social media side of things really helps that.

WS: Okay, so getting out there on social media helps you to expose your business, grow your brand. What are some things you are doing now to continue to scale your business or to continue to grow your commercial real estate side?

AC: Regarding the raising money portion of it, I was able to find five or six investors when I started fairly easily. But once you get past your immediate network or the people that you know rave about you and say, 'oh you have to invest with this guy', those people were easy. It's once you get past that they need a little more, they need a little more knowledge I would say.

So, I thought initially it would be easy. I've done 80-plus deals. I'll just tell everyone my experience and they'll invest with me. Well, that didn't really happen. So, it made me realize I need to sharpen up my business practices, whether it's on social media or whether something as small as sending my investors checks that aren't handwritten. Now, I type them. So, just looking like a professional business that has their stuff together and has their systems in place makes much more of a difference than I initially did when I thought I can just get investors through my experience and expertise.

WS: I love that tip right there that you just said. I know this is what, 1200 and some episodes, I don't think I've ever heard anyone talk about typing out the check versus having it handwritten. And so, what you're saying though, does that kind of give the impression to your investor that you're a larger business? Or maybe more structures in place? Or a larger organization? Is that what you're saying?

AC: Yep, all of those things, structures in place is a biggie. For a while, we were flying by the seat of our pants just going as fast as we could, and a lot of those structures and systems kind of fell by the wayside. But at some point, a few years ago, I got to the point where I caught back up and I said it's time to focus on these things. Because these things aren't fun but they're going to pay benefits in the future.

WS: What would you say some of the crucial systems are now that you've developed? You know, looking back to the end and looking into now, like, if we had these things in place from the very beginning, we would have been so much better off?

AC: Legal documents are a biggie. I was, again, doing things off the cuff for a little while and saying here's the document, you can have your attorney review it. Things of that sort. Now, I just have much more of a systematic approach to it. I say 'this is the document we use for our investors, you're more than welcome to have your attorney look over it, but it's just coming from a much more professional standpoint.

You know, I would say here it is, maybe it's right, maybe it's not. Let me know what you think. Now, I hand them a mortgage, I hand them a note. I give them specific details about how the process is going to work and it is just a lot easier for them to understand, especially when they don't have a real estate background.

WS: Now, that's awesome. Tell me a little bit about your team and maybe go back a couple of years, getting into the commercial real estate business. Maybe your first hire, who that was, and then to where your team is now?

AC: Prior to the commercial, I had about six years of single-family business. So, in terms of rehabbing construction property management, I pretty much had a good system in place because we had done a lot of single-families. After we started commercial, I again was just winging it. I contacted a commercial real estate broker, not to lease out my buildings, but use it somewhat as a consultant because we were doing things, something as simple as a triple net lease, I knew nothing about. So, I would consult this broker. She was actually happy to do it. I bought a building from her and she gave me her card and said, consult me. So, I have. I have used that card a lot. And she's been a great tip because, you know, we were doing things profitably. But maybe not how the industry was doing them. I don't think you always have to do it how the industry is doing it. But, until you know what the professionals are doing, maybe you're not doing the right thing. So, we have since changed some of our business practices on the personal side to kind of sharpen things up over there.

Another big one is a real estate appraiser. I was able to connect with a commercial real estate appraiser with whom I'm able to run deals by. I didn't understand how the valuation of commercial real estate worked when I first got into it. He's been a big help in that and now I'm at the point where I really don't have to contact him. I have a nice excel sheet. You can just punch in the numbers, punch in the cap rate and you can come up with a pretty consistent valuation based on pro forma runs.

WS: Nice. Talk about, you've been in single-family for a number of years, you got into commercial real estate and it sounds like you were creating, and developing those systems and

processes, and then all of a sudden, the pandemic hits. What happened then to your business, or commercial real estate business? How did that affect you? Maybe let's talk about some of the things you learned or changed during the last year, or two years.

AC: So, the pandemic somewhat forced my hand even further into the commercial side. Because I was still doing occasional single-family homes and then you know the deals really dried up in our market. And most markets, the steal deals that I was getting for many years through auction sites just weren't going for cheap prices anymore. So, I started looking more into the commercial space, and then the pandemic hit, which was good and bad. I would say it was good in the fact that commercial real estate was at a very steep discount during that time. We purchased a mini-strip plaza that was roughly 18,000 square feet right at the height of the pandemic. It had a restaurant vacancy and then it had about 7,000 square feet vacant on the second level. So, it was only about 40% occupied when we bought it.

I remember posting this deal on Instagram and getting snarky remarks saying, "Oh, office space during the pandemic. Way to go!" or "Oh, restaurant space during the pandemic. That's smart." You know, a lot of haters out there so I always go back to the Warren Buffett quote of "be greedy when others are fearful and be fearful when others are greedy". And we were greedy during the pandemic. It proved to pay off because that same building is fully leased with the restaurant and the valuation on that is going to be about 4X.

WS: 4X. Listen to that. Yeah, I love that quote as well. Warren Buffett's quote and that's a great example of that. Speak about getting investors on board during a time like that in a project like that during the pandemic.

AC: It was difficult. I was fortunate enough to have one of my biggest investors. Just been paid off on another commercial building that was the second building he had been paid off in a row, so he had some really good confidence going into that. So, he brought probably 60% or 70% of the funds for that project so it wasn't too difficult to fill in the rest. But at the end of the day, I just try to share the numbers. I share some of my past projects. This is what we do, this is how we do it. And transparency is big.

Yeah, I think a lot of people when they actually, sometimes my wife says I share too much. But at the end of the day, I don't want to sugarcoat or hide anything. I break it all out there and I try to be an open book because I think, at the end of the day, that's what people will trust. People can sense when you're not giving them the whole picture of the pie and I feel like I never hide anything.

WS: They don't want surprises, right?

AC: They don't want surprises.

WS: And while we're on that note too, about this and your investors, you mentioned and I think there are many listeners who can relate to this or will soon, that that first five or six investors that may come quickly. They're people you've known from another industry or previous job. They already trust you right? They're already pretty far along in that process. That 'know', 'like', 'trust' and I also add in their loyalty. You know you've already had that relationship over many years. Maybe you've worked with them or, or their in-laws or, you know, there's something like that right? But then, all of a sudden, you need more, you want to do more deals and you need to raise more money. What was the next step for you to start finding more investors and building those relationships?

AC: So, I received five or six loans from those first investors that you talked about. And then, when deals would come up in the pipeline, I would advertise to mostly my network, still a lot on Facebook, and friends of friends and family of family. And I would get a lot of phone calls from interested people. I would speak to them and tell them about the deal and I wouldn't get any follow-up.

So, I'm wondering what's going on. And then, the more I listened to shows like yours and tips on real estate syndication, I realized I just needed to sharpen up my presentation. A phone call saying, 'Here's the building. This is what we're going to do to it. This is what it's going to be worth. This is when you'll be paid back,' is not enough for people that don't know you.

In hindsight, I was naive in thinking that it was. But at the end of the day, this is \$50,000 or \$100,000 we're talking about. It's not chump change so these people want to feel like they're protected and just me saying, "I'm the best and you should trust me," didn't fly.

So, our offering documents are much more professional and we have already started. We have a deal in the pipeline. We'll start sending out information about the deal through our CRM system. That way we can kind of get some of our investors some pre-information to get their feet wet. And then by the time we need funding for the deal, they already know about the deal. They've received a couple of different emails about it and we can kind of coax them along from there. So, a lot of prep work before we actually ask for the money is kind of what we're doing now.

WS: Can you give a couple of examples of how you sharpen that presentation a little more? So the listeners thinking about their presentation, you know, how did you go about doing that? How did you create that skill set? Did you find somebody to help you build a presentation? Not everyone's going to have those skill sets and maybe even on their team. How did you do that?

AC: I've looked at guys that are more experienced in this field and I saw what they were doing and I implemented it. So, something as simple as a three or four-page PDF of pictures of the building, a video of the building, and then another page with numbers on them showing expected numbers, the expected ROI. So, essentially just a presentation that you might give to a commercial bank to get a refi is the same type of thing I am doing to investors. Sometimes, it's really benefiting the investor but other times, I might be a little too analytical and not realize that cap rate and some of these numbers investors throw around aren't understood by people that aren't in real estate. So, I do walk a fine line between being overanalytical with my numbers and just trying to present it in a dumbed-down fashion that non-investors can understand. But, at the end of the day, it's just about having some type of presentation on paper with a video and some pictures, so people can actually, kind of, see the asset and get a little more comfortable with it.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being with us again today. I hope that you have learned a lot from the show. Don't forget to like and subscribe. I hope you're telling your friends about Real Estate Syndication Show and how they can also build wealth in real estate. You can also go to LifeBridgeCapital.com and start investing today.

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