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[INTRODUCTION]

Philippe Schulligen (PS): I ended up not necessarily having a huge share of the general partnership, you know, being like more junior and doing a limited number of tasks. But it was such a great first experience that, and that would put me on track to do the next deals.

Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell, our guests today and over the next few days is going to share many details about how they got in the syndication business. And I hope that it's encouraging to you as you potentially are trying to get in. But also, if you're a passive investor, we're going to talk about the structuring of deals and even we're gonna get into a different type of fund structure in a couple of days that he is doing that we've not talked about too often on the show. And so I want to learn more about that myself as well, as we are just trying to offer the best things for our investors.

Our guest today is Philippe Schulligen. Philippe is co-founder of Boost Capital Group, a firm dedicated to helping busy professionals and parents who want to preserve and boost their capital through passive real estate investing. Prior to that, Philippe founded Five Five Five Ventures where he gained firsthand experience in commercial multifamily real estate acquisitions, syndications, asset management and dispositions. He's acquired 2400 plus units, and over $140 million in portfolio and has contributed to raising more than $29 million from investors. So, he has gained a ton of experience quickly. And he's going to share just how he did that. We're also going to dive into some basics about syndication that I get questions about all the time from new investors or even people that are trying to get started into this business that you're going to want to know. But later in some segments, we're going to dive more into the structuring of deals and things that the investor needs to ask the sponsor that you need to know about, even parts of that PPM, that document that's so long things that you need to know about and help you to speed up that process of going through that and ensuring that it's in your best interest to do so. I know you're gonna learn a lot over the next few days.

[INTERVIEW]

WS: Philippe, I am honored to have you on the show and to get to know you and to hear more about your story, acquiring 2400 units, $140 million portfolio and even contributing to raising over $29 million from investors. That doesn't happen by accident, right? Doesn't happen without diving in. And I want to hear about your story and the listeners want to hear about. Where did this come from? Let's hear some steps of maybe where you came from, the industry you came from before. Or why real estate? Why syndication? How did you learn this business? Let's dive in. So get started with a little bit of your story and how you got into syndication and real estate.

PS: Sure, yeah. Whitney, thank you for having me, you know, glad to share my story. Absolutely. Well, you know, as some of you may hear it from my voice. I am originally from France, born and raised. And I came to the US about 20 years ago for my W-2. I was working in the aerospace industry, actually in the business of jet manufacturing. But I was very blessed back then, you know, in my early 20s, to come to the US to work. And, you know, I was always attracted by the American dream, and by the US culture, and came initially for six months, and one thing led to another, you know. I eventually got married and I stayed in the US for over 20 years and became a citizen about seven years ago. I was always interested in having a side activity, besides my W-2, just, you know, to try to make an additional income to pay for my hobbies or maybe a nicer car or whatever, or provide a nice vacation for the family. And initially, I was trading stocks, Forex, et cetera. However, you know, it's hard to be consistent in this business. And after several attempts investing that way, I came to real estate, and I said, you know, I have to make some changes and I got interested in real estate. That would be about seven years ago now.

PS: I started with a few turnkey single-family houses. But, you know, I realized very quickly that scaling was a little bit of a challenge with single-family. And, really like the money could be made, you know, when you do fix and flip compared to just buying a turnkey. But, you know, I think it was a very good introduction. I went on BiggerPockets, et cetera, to get some information about that business and did some research. And actually, thanks to BiggerPockets, I became aware of multifamily and I said, well, you know, what can be done there, you know, listen to some podcasts, etc. And eventually, I joined a course about multifamily and to learn a little bit more about that business. And I was very blessed because shortly after beginning that course, I find my first deal like three months after I had an LOI accepted. It was an 80-units in Memphis, Tennessee. And yeah, that was my first deal that actually led to my second deal which was 168 units in Memphis as well. And, you know, one thing led to another, I began to form different partnerships, work with different people in the industry, and had the opportunity to join different teams. And that's how I grew my portfolio. You know, I think I'm currently a general partner in 1700 units. But overall, I invested in 2400 units.

WS: Nice. So many things I want to dive into just briefly and some a little more into it. It's incredible you were able to come to the States and even become a citizen, things changed, didn't they? You sound like you got married. You weren't going back, right? So things happen, but you are interested in real estate and got into turnkey. And did that scale at all? Did you buy some single families? Or did you figure out beforehand that, hey, that may not be the best route for me?

PS: Yeah, it's and that's why I switched to multifamily is because, like, from a scaling standpoint, it's tough with single-family, you know, you have you can do only 10 loans, for instance, you know, when you have a W-2, and if your spouse has a W-2, you can do another 10 which, you know, obviously that would create a good size portfolio. But really, you know, turnkeys, from a scalability standpoint, I think it's very good for generating passive income. But, you know, until you reach a certain size portfolio, you know, you're going to have inconsistent years. And that happened to me, actually during COVID. I had two tenants out of two houses who didn't pay their rent. So now, what do you do? 100% vacancy. You know, if I had a larger portfolio, it would have been easier, probably to absorb these downturns. And that's why, you know, multifamily makes sense, because now you're looking at a much larger number of units. And you spread out the risks among all these units.

WS: So you jump from, you know, some single-family homes to this 80-unit deal. Did you syndicate that 80 unit?

PS: That's right.

WS: How did you learn to syndicate? You said you join the course. Did this course teach you about syndication and give you the confidence to syndicate a deal?

PS: Yeah, yeah, the course teaches the basics about syndications, and was able to find partners. Thanks to networking and working with, you know, within the course. And we did syndication and it was very exciting. But, you know, again, when you begin, you know, number one, I think, obviously, the course gave me the book, you know, knowledge, if you will, to do these steps. But however, I didn't have practical experience. So, when I partnered on that deal, you know, had a more senior syndicator walk with me, and, you know, became my mentor in that context. And he showed me like the, you know, so you know, I guess you have like the general steps to do everything. But then when you work on the nitty gritty, you know, it's always good to have somebody to ask about, you know, like, some sometimes mundane questions, sometimes very critical questions.

WS: That's right. No doubt about it. And just to give some context to the listeners, because I hear this often in our industry, was this course cheap?

PS: Actually, it wasn't too expensive. Yeah. It was relatively affordable. I think. I think they have raised prices since then. But it was pretty affordable.

WS: Would you say it was worth it?

PS: Oh, yes. 100%. 100%.

WS: I mean, I can relate to that so much, people don't want to spend some money on some mentorship, but I just, man, and they're not all created equal to say the least. I mean, they're definitely not, but when you can find a good one, it's so worth it. I mean, you found a deal within three months, you know, did that deal, was that like from a group within this course that you joined? Or this network that you joined? Was this something that you found? And then you know, got mentorship from the group on it? You did. How did you find it?

PS: Yes. So, actually, it was a deal. I was sitting on LoopNet. And, you know, I know, they're saying that deals go to die on LoopNet for instance, and maybe, you know, these days, it's crazy that come, you know, might be a better source. But, you know, it might be true for some markets, not true for all markets. And in that case, you know, maybe it was a little less popular, you know, to do multifamily deals. You know, I know, these days, there are a lot more people interested. But, you know, at the same time, you know, I think Memphis was not maybe the not most exciting, the most attractive market. Overall it's a large MSA, the Metropolitan Statistical Area, and it's pretty stable in population, and also with diverse employers, diverse industries. So I think it is an underestimated market there. There are a lot of opportunities and actually the price per door. I mean, particularly back then was very affordable. I think it still is these days.

WS: But did you have to put some earnest money down on this deal?

PS: Yes, of course. Yes, we did.

WS: I just think about you know, what the listeners to think through, if they're getting started in this business. It takes some capital to make some of this happen, no doubt about it. And I just stress if you don't have it, go find it, find partners, find somebody. So how did you find the people to make this deal happen? Did you need a key principal or somebody with the balance sheet, somebody helped sign on debt? How did you figure out some of those things?

PS: Yeah, it was all of the above, actually. So you know, actually, you need key principals to sign the loan, you know, and from a balance sheet standpoint, as well as experience standpoint, because all those other requirements also needed a lot of help on raising capital. You know, I think, earnest money deposit, we split the burden with the different partners. And, you know, my role was like, be the first in line to work on, you know, underwriting, on doing the due diligence, you know, negotiating the PSA, but then I was supported with, you know, the mentor, by the mentor that I mentioned earlier, as well as the other senior partners in the deal so to get the opinion of some of the critical questions. So, you know, I ended up not necessarily having a huge share of the general partnership, you know, being like more junior and doing a limited number of tasks. But it was such a great first experience that, and that would put me on track to do the next deals.

WS: So, you know, I want to mention what you just said there, you know. You said, you didn't have a huge share of the deal, but it put you on track for the next deal, right? And so often, I hear so many times when people, I mean, we've had people reach out to us almost weekly wanting to partner with us on deals. And often, you know, they haven't done a deal yet. But they expect, like, such a big piece of the deal to get started. And I'm like, wait a minute, you know, you don't even know how much you can raise, you don't know how much you can contribute to the deal, or to the team? Or none of us know any of those things yet. You know, if you can add much value at all, and I, you know, I love helping people get started. But I think there has to be some realization there in the value that's created by you just getting in the first deal, right? I mean, it is the same thing with me. I had a mentor partner on a couple of projects with them. I got like nothing, nothing, you know, financially for being a part of that deal. However, I gained so much value in the education and building a little bit of track record, you know, just learning the industry, meeting so many people. I mean, there was so much value that was given to me that wasn't in dollars, right? Would you agree?

PS: Absolutely. Yeah. And I think, the most valuable for me, and I think everything that you said is correct. You know, learning experience, the track record, and so on. Absolutely, you know, hands down. But I think the most valuable of all of that, all of that experience is that that introduced me to, you know, to the industry, to the players in the industry, and, you know, started to attend conferences and other meetups. And now, you know, when you have a little bit of a track record, now, people look at you differently because they know that a lot of one of these, and it's okay, you know, I was there as well, initially. But when you do say, well, you know, as I did something, now, you know, I think your credibility goes much, much higher. And you can build these significant relationships with people. And that's how, you know, that's what led me to be able to join other deals going forward.

WS: For sure. How much time was there between the 80 unit and the 180 unit?

PS: Actually, it's an interesting note here. So, while we were working on closing on the first deal, which so I had it under contract in June, then we closed in November, and during that timeframe, so I found this other deal. However, it was already under contract, but you know, since we had met made progress on underwriting that deal, etc. So, we said, we'll just submit a backup LOI, we never know. And the day of closing on my first deal in November, I got a call from the broker, who said, oh, you know, is your loi still valid? I'm like, yes, sure. Sure it is. What happened? So well, you know, the initial buyer or you know, they had their equity partner or, you know, decided to back out, you know, if you know, just renew the NOI and the deal should be yours.

WS: Incredible.

PS: And that's how, we closed, that was November. We closed in April, the following year for the second deal.

WS: Yeah, that's great. How did you raise the money for the 80 unit, and then also the 180?

PS: So, my partners, what we did is we did a joint venture agreement pre-closing. And we define in that joint venture agreements, the different roles and responsibilities of the different parties. And in both cases, we worked with the same partners, the senior or more senior people, they had the responsibility to raise the money, but I had the option to raise the money as well. So for me, it was very comfortable, because, you know, I was still building my own network, you know, starting in the area. So I had the opportunity to focus more on the mechanics of the deal and making the deal happen and close. And I didn't have to worry about raising at that point. And I think it's very important that you mentioned earlier Whitney to have gauged what you need, you know, what kind of help you need on the deal, you know, is it raising money? Is it earnest money on the deal? Capital at risk? Is it a key principal on the deal, you know, you need to be able to gauge all these requirements that you have, and build a team around these requirements to make the deal happen.

WS: Love that. And I just think, again, I want to stress on this so many times on the podcast, so I won't belabor it. However, I would say again, the value that you gained by joining that mentorship program, right, and going through that course, and meeting people, you know, the network that is gained when you join something like that is so valuable. You probably could have watched enough YouTube videos or listened to enough podcasts and talk to enough people, maybe some attorneys or financial people, whatever, CPAs and learn enough about syndication, maybe to syndicate something. I mean, you still wouldn't have had the connections to build the partnerships to get a big deal done, most likely, right?

PS: Absolutely.

WS: And so I just, it is such a value there that people I think overlook when they see this big price tag on a mentorship program, you're not thinking about just how the speed of which things can now happen because of this network. And because of the skill sets that are now able to be brought together, that you're not having to go learn and do all these things, right. And oftentimes, it's not even possible for one person to syndicate a 180 unit deal or whatever, and raise all the money and you know, all the due diligence and all these things that have to happen. So I just wanted to stress that just for a moment. I'm not going to belabor that because I want to jump into a few more things about just syndication and things that I want you to be able to help us about what is syndication? How did you learn syndication? How do you explain what syndication is now, now that you've, you've been doing this, you're a part of so many projects now, you know, somebody asked you, what is a real estate syndication, Philippe? How do you explain that?

PS: So real estate syndication in a very, very simple plain terms is just a group of people who are going to pull their money together to buy a larger asset. And, you know, from that context, you know, I think that simple description, you could you could say, well, you know, maybe it's a joint venture, but in a syndication, you're going to have the active partners typically called the general partners, and you have the limited partners who are more in a passive role. The syndication, you know, usually takes the format of a 506b or c exemption from the SEC, that's the legal side of things for which kind of investors can invest in the deal. But so, it's overseen by the SEC, you know, there's, again, there's a legal background around that, and there's paperwork that is going to be drafted by an SEC lawyer, to explain all the risks, you know, through a private placement memorandum.

WS: All a hundred, hundred-fifty pages worth.

PS: Yes, yes. And you're paying dearly for those strategies. But, again, you know, it's I think it's important that the investors realize like all the risks associated to investing and that's the sole purpose of that document. And also, there will be an operating agreement that will be drafted to explain how the deal will be managed by the general partners you know, and what will be the different splits between the income, or the net operating income between the different partners, the general partners and limited partners. So, yeah, that's a syndication and you know, again from from the investor standpoint, what's important is you're putting money into a larger deal. So you have all the benefits of a larger deal, number of doors, you know, the experience of the sponsor, et cetera, and then your risk is limited to your investment, that you're sharing that risk with all the different investors. And obviously, now, you know, you're going to share the benefits as well, the returns.

WS: So you mentioned some of the risks, some of the returns and the benefits, of course, but maybe just elaborate a little bit on why. Why participate in a syndication? You know, as far as you know, the investor versus, you know, a different route of investing or even single family or turnkey, or you know, why invest passively in a real estate syndication?

PS: I think it makes a lot of sense for investors to consider syndications as a limited partner, because, you know, I'm just taking an example, you know, which was my own journey. You know, so I thought that turnkey was, yeah, it's hands off, right, you know, turnkey single family, everything is done for me, it was already renovated, I just have to buy it, and then you're always going to cash flow, but in reality, that they're always headaches. And you end up you know, even though you know, you probably have an you should have on a turnkey a property management company doing the day to day management, you still have decisions to make, you know, you have decisions to make, what's going to be the rent level, you know, what I going to do if the tenant is not paying the rent? What about this roof that is leaking? You know, it happened to me and on a property last year, you know, and now, you know, it's like, actually, as a side note, you know, my whole income on the year got wiped out, because of that roof that I had to replace. you know, I knew about it when I purchased the house, but, you know, he was like, yeah, it could be in five years, it could be in 10 years, you didn't know, but that's what happens.

PS: So, in a syndication, the investor is going to be really passive, you know, they have, once you've taken a look at who the sponsor is, and what's their experience, and you know, their track record, and you know, you learn to know them and trust them and see what they're doing, how they're walking, and then you're going to invest in some deals with those sponsors. And you're going to rely on their experience to manage the deal. So they will send you regular updates, but you're really passive, and you just, you know, select your sponsor, select, you know, maybe you don't like every deal that the sponsor has to offer, but, you know, select the deal that is interesting for you, you know, really like the market, you like the business plan. And then, you know, you just send your money and you're really passive, you're going to read maybe like the monthly report, and collect the distributions.

PS: So, I think it's a very, for busy professionals and families, it's a very good option to secure returns compared to other avenues such as the stock market, etc. You know, because, you know, actually, we did some research with my team on the volatility of some investments vehicles, and you know, real estate syndications or estate in general, it provides higher returns and with less volatility compared to to the stock market, for instance. So, you know, I think it's a much, you know, well known, you know, sound investment vehicle, the real estate, and if you can do that passively, you know, I think that's a, it's a win-win for the investors, and the sponsors was bringing the opportunity to you.

WS: I cannot agree more. I mean, it's, you know, do you have time to become the expert, and all these things, you know, or, you know, do you want to spend that time doing something else, you know, or spending time with your family or whatever, when you can invest in a team or in a project that's being operated by a team that's already developed all these skillsets right now that has these team, that to do all those things that, hey, you don't want to take that call at midnight, right? The toilet call or the tenant call, you know, whatever the problems may be, we want to ensure those things are taken care of, but you know, as a passive investor, I don't want to have to take those calls. I want to ensure they're being taken care of. And so I just think it's a great explanation, Philippe, you know, just why we all like why syndication, and unfortunately, I feel like that even the term syndication kind of scares people off a little bit right. And they feel like you know, even myself, you're raised in a in a family where you're just thought well, just investing in the stock market or mutual funds. It's just kind of the way you do it. Right. And this syndication thing over here just seems scary. That seems you know, I've not been I've not heard enough about that. Let's not do that. That's to us. Sounds too risky over there. Right.

WS: But I think you explained it well. It's not as real schedule is the stock market, when you get this physical thing, you can go in touch and see. And, you know, even if there are hard times, and there's no cash flow for it, but guess what, you still have the asset, right? It's, you know, it's still there. And, you know, obviously, hopefully, times improve. And guess what, you still have this valuable asset. So I appreciate that. And Philippe, we're going to end this segment now and I just want to thank the listeners for being with us again today. And we're going to do a few segments with Philippe and we're going to dive into some more detailed topics about syndication and the structure and how to profit from syndication. And even you know, things you need to know about the sponsor, as well when you're investing in vetting a sponsor and even diving into Philippe’s fund and the type of fund and I know you're gonna learn a lot from that segment as well. Philippe, thank you again for today. And just being willing to share your path right to real estate success, how you got into the syndication business, and even just what syndication is. Tell the listeners how they can get in touch with you.

PS: Thank you, Whitney. Yeah, so they can reach out to me via email. My email address is my first name philippe@boostmycapital.com or they can go to our website, BoostMyCapital.com and see what we have to offer over there.

[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 the 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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