

EPISODE 1453

Maggie Cheung (MC): The books, podcasts, conferences, meetups only will take you so far. So I think internally, we know that nobody around us was actually doing the things that we want - I want to do that. As auditor -- mindset, I just do not want to go in blind in something. So I need to get into a network. That's when I reach out to four or five mentorship groups.

Whitney Sewell (WS): This is your Daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today, our guest is gonna show you and tell you how she went to build a portfolio of 2,600 units in a very short period of time. That doesn't happen for just everyone. But there are some key things that I see are common in people who are moving fast in this industry. Right?

Her name is Maggie Cheung, and she's the Co-founder and Managing Partner of Sage Investing Group. She comes from an audit and risk management background, which I think is it could be very helpful in this space has been investing in real estate since 2011. With a collective real estate portfolio of over 2,600 units, Sage Investing Group focuses on sourcing, underwriting, vetting, private real estate investments for its portfolio as well as its investors.

So Maggie goes through numerous things for us say of how she got into this business, right, and even leaving her job before knowing that, you know, this was the path that she was going to take and even talks about a little bit getting her spouse on board with this big decision of diving into the real estate business and specifically syndication.

And so you're gonna to hear some of that and just, she's transparent about it. I'm grateful because I think that helps so many other people. She also goes through a big part of her business is working with brokers. And you know, she even has been hung up on numerous times that she's gonna share some about that that I know you're gonna learn from, but then also, she's gonna share some challenges that they're having in the business right now and what they're doing about them. And you're gonna learn a lot from Maggie today.

Maggie, welcome to the show. Honored to see you again. I appreciate you reminding me that you and I were at the same conference like three years ago. It's neat to now have you on the show, tell the listeners a little more about who you are. What's your focus right now in real estate? And let's dive into how you got into the syndication business as well.

MC: Yeah, thank you for having me on. Like you mentioned we met three years ago. That's a long time. At that time, we're just getting started. And maybe a year back before that we met, I quit my job and Wall Street. I was an auditor, a career auditor for a long time. Then something happened in my life. And I just realized that I need to get out of my corporate job. That was personal - it was family. I just wanted more time for my family.

And I quit my job not knowing where I want to go. But I knew that I needed to scale my real estate business. So me and my husband kind of worked out and sat down and really wanted to focus and figure this real estate, a career and next path in my life. So we compromised. Okay, let's just give me a year, I asked him to give me a year to figure this that. And that's when I actually, as part of that year journey, I met you at the conference. And at that time, I will only have like single family like most people, and I wanted to figure out how to scale that much more.

So I took a year to figure out, okay, what is it in real estate that I can be and what kind of skill set that I have to translate to this next career on my life on next chapter. As far as our journey, you were in there three years ago. At that time, we only have a limited partner in syndication. I was just getting started. But syndication wasn't too foreign to me, because in my career as auditor in Wall Street, I've seen bankers put these deals together in a much larger capacity.

So they buy shoppingmarts, and and they also look for investors, they put in the capital themselves. And also there's also SEC filings, there's still diligence process that a lot of terminology was very familiar to me. So I've felt very comfortable in this syndication, which wasn't too far stretch. But I did have to figure out how to get more involved. And that's where I went to conferences like the one that we met and three years ago, and that was the beginning of my journey for me.

WS: Awesome. Well, it's interesting, you know that that term syndication scares a lot of people off, right? They've never heard about this type of investing. There's, "Oh, you know, that's, that's so out of my comfort zone. I hear it all the time. My parents never told me about that. So it must not be okay." Right?

And so it's interesting how I love hearing how different people hear about this business and dive in. Well, you mentioned I wanted to ask you about one thing there, too. You said, you know, you convinced your husband to give you a year, you know was it hard to convince? So there's people listening that can relate to that ,right? And maybe their spouse is not on board with this, like drive that they have to think you know, hey, I can go do this in the real

estate business. How did you do that? What did that look like? Was he onboard; was he not? Share what you're willing to share?

MC: The funny thing is that I'm an auditor and I'll also married a fellow auditor. So you have to imagine how much more effort that has to be because to convince another person who's an auditor who has a risk-averse is much more harder, but because I know myself, I think I know the process, that the logic behind how he's getting to this conclusion. So that one year stretch because I tried an audit.

There's a term called scoping and planning, so I kind of approach everything in my way kinda same way. So I scope out the real estate business, the different types of real estate business could be wholesaling. It could be flipping, it could be multifamily, smaller multifamily, to larger multifamily. So I set out that one year to figure out these types of different types of strategies. I try it myself as different things, things that doesn't work out, I can explain the process to my husband. Is it gonna happen? Is it gonna work for us, this business not gonna scale for us?

So it's definitely not something I enjoy. So I think throughout that process, I kind of like catalog and also explained to him what it will be and how it will impact our family. Because there is time commitment. There's resource commitment. So and then there's, you know, resource, meaning, it could be money, time and skill, right?

I think it's because I took that time to scope out different avenues. I also walk in through the process, it was much more easier to get onboard. Of course, from that to syndication, it's a another level of trust, because you're trusting somebody else to run the deal. So that told me my husband, okay, can we fork over some money to invest in somebody else's deal? That requires a lot of trust?

But I think luckily, because I am familiar with some of the regulation that's around it, and it's not totally blinded, it does fall into SEC, well, right. So is it? Are we going to, could we possibly be losing money? That's possible. But of course, you know, everything is a risk. So it's measuring the risks and measuring the reward. And I think at the beginning, we were just testing out the waters, so we didn't last too much. So it wasn't too much of a loss.

WS: You had to be willing to take a little risk, right? You and your...

MC: Absolutely.

WS: Yeah. And so it sounds like you all thought are you determined that the risk was worth taking with the potential reward - the reward that was potential there right to have such a reward that made it worth taking the risk that you took it sounds like. Anyway, tell me, you know, what was some of the next steps? Did you find mentorships? Did you read books? Did you just listen to podcasts? What gave you the confidence now to move into buying large multifamily real estate?

MC: So in the beginning, we weren't doing with it like four or five, limited partnerships were syndication. So we're trying to test out different types of operators and different types of deal structures as we want it to scale a little bit more and more into general partnership. The books, podcasts, conferences, meetups only will take you so far. So I think internally, we know that nobody around us was actually doing the things that we want - I want to do that. As auditor -- mindset, I just do not want to go in blind in something. So I need to get into a network. That's when I reach out to four or five mentorship groups. And kind of figure out, okay, if it was something that we wanted to be part of it, a culture is very, very important to us.

So we wanted to be part of a group that that is promoting, being able to get actually happens with success rate that people are doing deals and doing deals together. Doesn't feel as daunting. I think I like it more when I think because I'm in the corporate world there's a lot more eyes into your project. And there's a lot more people giving you opinions. And I think more opinions, especially experienced opinions, those are things that are very, very valuable because you never want to go into a deal blindly, especially when you're working with millions of dollars.

WS: Yeah, no doubt about it give us like one or two the key things that happened for you, though, after that to help you to scale so fast.

MC: I joined *Think Multifamily Membership* with Mark Kenney. I really like his group because he has a family culture, and his ecosystem. A lot of people are willing to help out and also bring. If There was more like a small-knit community. And that's what we're looking for. We're looking for people who are willing to do deals who are serious and fun. I don't want to be in a group that's too big, it could kind of get lost in the process. That's kind of where we want, we will stay with that for five groups before we settled on one thing that was most important.

WS: That's awesome. I know Mark well, very well, actually. Yeah, and couldn't speak highly enough of him and Tamiel and just that group, I knew a lot of people in that group, and many have moved very fast. So it's amazing. When you get all these people together,

things start to happen. Right? And like you said, the culture, you know, the commitment to just education and all that, all in the same place.

So that's incredible. Well, you know, now what's your focus, Maggie? You know, you every day in the business? What are you doing now, you know, as you're, you know, pushing forward for Sage Investing Group.

MC: So my job there, I work with two other ladies who are my partners. So my job is really to look for deals. I talk to brokers on a daily basis, evaluate deals. I talk to a property managers to kind of see that we can make something happen and also put a team together to make sure we can really take out a deal ourselves. I'm talking.

WS: Yeah, that's great. It requires it, right? Tell me some of the maybe a few of the top tips you'd tell somebody that's learning to talk to a broker, maybe you know a couple questions. You got to ask the broker this, or maybe you need to ensure the broker knows this about you. What would that be?

MC: In the beginning, it was more, it's a little bit more intimidating because you had no track record. But I think it's because we are, you do have to kind of like mention, like I leverage on on my partner's market, and the group's capacity. So we are able to deliver, hey, we never closed and we never lost on a deal or never close a deal, or those things are really helpful for the broker, because you're really trying to sell him that you can't close a deal with that.

And at the end of the day, that's what they're looking for. So they are you got to figure out, what's their motivation, it's basically their, you know, you help you likelihood that you can close on deal. So you got to deliver those punch lines to make sure that they can hear you well, that you can do that. So no, I'm going to tell you off the back that I messed up a few times—

WS: Surely not.

—and I definitely have people hang up on me, because I did not know or realize quickly how to work on that mental exercise to make sure that I can deliver that punch every single time. So it does take a while to kind of practice. And in the beginning, I think just you just have to figure out that it's not about you. It's about your performance. So you got to just keep on practicing.

WS: Yeah, I love that you were willing to be uncomfortable there. Right? And we even had people hanging up on you, like you talked about. It's comical, you know, in a sense, but in another way, you know that that's not easy in the moment. Right? It's frustrating. And it's just a learning curve that you got to be willing to go through, I think, right, you got to be willing to be willing to hear "No" many times right, before you get to a yes. And that's just part of that learning process. For sure.

WS: So working with brokers, you know, and yes, learning how to talk to them being willing to do that. What about now? Are you involved in underwriting as well?

MC: Yes, I am.

WS: Awesome. And maybe you could even relate this to you know, obviously, how you all are underwriting deals right now. But what are some specific things that you're looking at when you're underwriting a deal right now, that may be different from a year ago?

MC: Yeah. I don't know if we do anything differently now. But I think it's more scrutiny more. So this moment, we worry about inflation, I think everybody is top of their mind, as well as interest rate. I worry about, because we do work on Treasury markets, most of the time, when I make sure that our rents are supportive, and there's inflation, I worry about it there. Can the tenant really absorb that? That's kind of what I'm concerned about. So we tried to look for areas where there is more when you look at the income growth. Is there really sustainability and income group, that's what we focus on. There are jobs coming in?

Because most of the tenant space, the requirements, they make three-to-one ratio, so we wanna make sure that return ratio versus our renovation format is there's still a gap there. So that we focus on that a lot. And operational-wise right now, they got some very, very important because as we go on, I think cash management is very important. So that's what we're focused on right now.

WS: Okay, yeah, cash management, man. So important backup, like you said, Hey, you're asking, can a tenant absorb this? Right? You know, and you're trying to account for that? I think it's so smart. Because they do they have to if your tenants can't afford the rent, it's pointless, right? That you know, who is your tenant base? You know, who are you attracting? And thinking through that you said three to one ratio, one and ensure that you mean like income to rent? Yeah.

And then cash management? Speak to cash management a little bit. What does that mean? You know, when you say that your property level like what what are some things you would be watching as far as cash management?

MC: Yeah. So I think the next few years, it's, it's a really important right now, especially when you're doing a renovation project, there's the timing delay between putting the capital and then requesting withdrawals from the lenders to replenish the reserves, right. So and it meantime, you're taking some units down and renovate it. So there's some time delay in those cash. I think the most important that first year when you're trying to do is the most disruption to your business.

So when you're trying to go through month to month, how much you renovating, how much you're going to you can request a draw process those and also a lot as rising interest because we do have a bridge that on our five deal. So when I make sure that we're well capitalized in terms month to month, especially the pressure because you're doing the most ventilation, most of us have disruption to pressure in order to see the benefit of it. And once you stabilize, it's not the most sexiest thing because you're looking at accounts, you're going down to the invoices level, and you're gonna make sure you've run a tight ship. But I think it's important.

WS: No doubt very important that you have a handle on your cash, I think personally as well, right, not just at the property level, but personally in the business. Maggie, what would you say is your your biggest challenge in the business right now?

MC: Right now? I'm looking at deals that a lot of deals doesn't work out or pencil out? Well, because I could think of them. I don't think the sellers are willing to let go of the pricing that they have seen before. We were having a very, very great low interest rate environment. I think they're some of the sellers are still holding on to that pricing. So I think there's still a gap and differences when looking at deals.

WS: Yeah, no doubt challenge that we're all going through right now. Right? You know, it's finding those deals making it work trying to. Yeah, I just think over the next number of months, yeah, I mean, sellers can hopefully come back to reality right or get over - us included, you know, there's a couple deals we wish we'd have sold a year ago. Right? No doubt about it.

But we gotta move on, they're still cash flowing, they're still doing great, you know, to still be just fine. But I know when you're trying to buy deals, same thing right. Now, what about,

is there a way that you've recently improved your business that we could use as well? Or that we, you know, we could also apply to our business?

MC: Yeah, right now, I think it's, we're looking at more figured out streamlining our asset management side. We don't have a perfect answer yet. It's getting a little more challenging when you have a little more properties. And when you're starting to work with different property managers and with different systems and trying to assess the data points centrally like apples-to-apples comparison, one property to another. So that's kind of the challenges we're working on. Oh, love to hear what you have any solution. But that's something that we're working on right now.

WS: Yeah, you know, how we had to improve our asset management, or we hired a really good asset manager, for one that was a massive step in improving our asset management. And the next small step we took was bringing property management in house.

So I'm kidding, it was a massive step, you know, to make that happen, but what we've learned recently, we built a management company, you know, in-house, we bring all that in-house, but guess what, you still need an asset manager.

So, you know, it's two separate things, and you need to keep them separate, right? There's some good conflict there, right? A healthy amount, you know, is good there, you know, between that asset manager and the property management, even when you're especially when you have management in house, but anyway, the asset management is so crucial, right?

You got to have a pulse on what's happening day to day at those properties. And you and you said it to when we had just a few properties, it wasn't a big deal for my business partner and I to do most of the asset management, right? And he did most all of it at that time. And then but as we scaled well, all of a sudden that you find yourself just doing that, and now you can't look for more deals, you're not underwriting as many deals you're you're not focusing on the team as much you know, right?

And you know, you get taken away to do that, because it is so important. So we had to scale by hiring people, ultimately. But I love that you mentioned creating, improving and streamlining a process in Asana. We also use Asana. I believe not really used it for asset management. So I like that, that you're building out a process in there. So it's like, hey, we

don't forget these steps, right? And then it's pretty easy to continually edit, edit that right as well, right?

MC: Yeah, I love checklists. I live in checklists every day,

WS: Maggie, what's your best source for meeting new investors right now?

MC: For me, I still like to do a little bit old-school meeting, meeting in conferences and we are thinking going evaluating going forward next year, doing more investor meetups locally. But during COVID, we did a lot of like webinars. That's what we how do we scale our investor list going forward next year, we're planning on some more bigger initiatives. So going up to more conferences or creating meetups on our own, but that's what we're working on.

WS: What's your best tip for passive investors?

MC: Passive investor, I think the only thing I can really, if you're a passive, you really don't have control of the deal. If you crave control, you need to get into more active and if you liked if you liked that kind of aspect, but if as a passive I think the most I will have to say is just diversify, because the key of growing your wealth and mitigating risks is diversify to different sponsors, to different markets, different types Class A, Class B, and Class C. I'll probably stay away from Class D properties so having these diversification mitigates your risk so that's as a passive you can you can grow your wealth on there. That's the key from many generations and then the other investors like Warren Buffett.

WS: What are the most important metrics that you track? It could be personally, professionally deals underwritten you know how many mornings a week I get out of bed on time and it can be from one spectrum to the other anything that you track?

MC: Yes. So I track for a deal I have a couple of things so for deal. Because I'm a deal hunter. I track how many deals I looked in a day and I calculate the ratio of when we go and put in an offer, how many we put an offer, how many how many times and go to the best and final. Our first year we've underwritten 150 deals before we got our first deal.

WS: Yeah, I believe it.

MC: So now things are getting easier. We don't have to look at every single deal under the sun in order to you know make an offer a lot more easier but I that's one aspect that I track

the other side of course I track on asset management piece with my partner's like our deals are projecting or meeting our projections or is the PM meeting projects.

We gave the PM a different target than our internal target. So when I see that they exceed our own projection, that will be great. Right? So that's the second thing I track. What else do I do? Oh, for passive investing, I also have passive investment as well. So I checked those performance, but you don't get insight a lot. So you, you kind of have to glean from the month-to-month reports. I just track the distribution, if they've made a distribution, if not I track how they are doing. But that's kind of like this fun things for me. But it's fun for me, because I just like to see how other people operate.

WS: That's awesome. What about your daily habits that you're disciplined about that have helped you achieve success, or habits that are produced is returned for you?

MC: I completely 100% believe in daily habits, because that's how I was able to kind of continue doing 150 deals, or underwritten the 150 deals and still think about, okay, there is an end result somewhere. So I'd get up in the morning, I usually look at deals first half of the morning and talk to brokers and evaluate. That's my job.

That's basically my job for the business. You evaluate deals, that's my first thing. The second half of the day, I tried to do keep that for relationship purposes. So rather to meet with other partners, talk to other partners potentially see a deal or investor. So that's kinda how to be up my day.

WS: What about the what's the number one thing that's contributed to your success?

MC: Persistence, determination, never giving up, even though you're entrepreneurs, it's gonna be a fun ride all day, on the same day to be on the roller coaster, up and down. So I think it's just singing through and just do the work, and you'll get the results. And believe it.

WS: How do you like to give back?

MC: I love to just share my experience with other people, they're really interested in getting more involved and really want to know, like, what's behind the scene or even know if this is right for them, because it's not really for everyone. So that's the beauty of it, and the group that I've been in think multifamily, because I'm able to contribute back to other people who are just starting the journey. Like you have seen me three years ago.

WS: That's awesome. Maggie, pleasure to have you on the show. Grateful to hear more your story and actually, you know, catch up from where I met you about three, three years ago, like you mentioned, just appreciate you being real to and your transparency around the you know, even willingness to get hung up on, you know, by brokers and whoever right, but push through and have the persistence and even you know, being worried about inflation and thinking about or in walking through how you're thinking about that, you know, and how tenants can they absorb it, our jobs coming, the ratio of income, all these things that that many are contemplating right now, right, you know, as they're looking at deals and, or hopefully they're looking at many deals as well.

But even talking through how, you know, asset management is something we're working on and improving because hopefully that listener if you have projects, because hopefully they have a focus on that as well. Right? You know, in monitoring how their deals are performing. Maggie, thank you again, tell the listeners how they can get in touch with you and learn more about you.

MC: Yeah, you can reach me maggie@sageinvestinggroup.com We have a website SageInvestingGroup.com. We're also on LinkedIn and Instagram.

WS: Thank you for being a loyal listener, the real estate syndication show, please subscribe and like the show, share it with your friends so we can help them as well. Don't forget, go to the LifeBridgeCapital.com where you can sign up and start investing in real estate today. Have a blessed day.