

Episode 1472

[INTRODUCTION]

Andrew Rosenberg (AR): And the number one priority is my family and the family business. Investing is supposed to be a side hobby. It's not meant to be a distraction. So I had to figure out, well, I like real estate, but I don't wanna get this many phone calls about evicting a tenant, approving the air conditioner, you know, needing to be replaced.

AR: So I looked around and I found out, hey, there's this thing called syndications, and that's how you entered, you know, down the rabbit hole of syndications. So, you know, flash forward, I'm invested in numerous syndications, quite a few, and it dawned on me that, you know, if you really wanna do it well, again, I don't, the passive is kind of a misnomer with me. You're gonna wanna really get to know the deals, how to analyze the deals, and having access to the best people, obviously, that's an advantage.

Whitney Sewell (WS): This is your Daily Real Estate Syndication show. I'm your host, Whitney Sewell. Today our guest. He's a passive investor in 3,400 units and that across small investments to office, to farmland, to ATM syndications, and he's been investing in the stock market for like 40 years.

WS: It's a long time. He's been investing a long time, but his name is Andrew Rosenberg. He's a passive investor. He works full-time for his family business. Ralph Rosenberg Court reporters. He first became hooked on investments after buying his first stock at age 13. You're gonna hear a few segments with him. We're gonna talk about his background in stock market and getting into real estate and single-family and moving, wanting to say passive and going into syndication type deals over a couple different segments here. I knew you're gonna learn a lot from him today and in the next couple days after as well.

[INTERVIEW]

WS: Andrew, welcome to the show. Honored to have you on. I'm looking forward to getting into more about passive investing too. I know many of our listeners are passive investors like yourself, and so looking forward to hearing more about your experience and us all learning from them at the same time. But welcome.

AR: Well, I really appreciate Whitney, thank you so much for having me on and would just love to answer anything you've got and been looking forward to this all week. So thank you.

WS: Andrew, give the listeners and myself a little more color or description of background about yourself and your focus right now in this real estate syndication game that we play.

AR: Oh, okay. Yeah. I'll just start off first with the why and then I'll work backwards to, I guess, their history or what I often refer to as the trajectory. You know, for me, you know, I'm 47, married with a son, and you know, for me, I'm at a stage in my life where I need to downsize a little bit of aggravation factor.

AR: So single-family homes, they're great investments. I'm never gonna say they're not, but they're not passive. So there's degrees of passive that they're not passive by any means, especially if you want to have good returns. So for me, being more passive in going into syndications was a good route. And then I just, frankly I, of the asset classes and the, of the community of people in asset classes. By far, I enjoy commercial real estate the most. And people ask me why. And I explain to them, it's gonna sound simple, but it's much deeper than it sounds. I'll let people understand it for themselves, but it's the only asset class I see that's truly collaborative by nature in practice. So what I mean by that is it's not a zero sum game. Operators help other operators.

AR: I go to Zoom meetups, everybody's supportive compared to other asset classes. When I have hung out with people you're not dealing with, you know, whose physical equipment is the biggest, let's just say, you know, the egos are much better manage. and you'll notice that the most successful people are the best people. And in other asset classes, I find it not necessarily the inverse, but not as highly correlated to rewarding goodness. So I'd much rather be involved in that space with my time and my emotions and my psyche than the other asset class space. Now that's not to say that I don't invest in other asset classes, but if I where I'm gonna really wanna spend my time is gonna be what makes me happy. I'm 47. I don't look that old. I a little bit gray here, but someone asks me, How long have you been investing? And when I say 34 years, they look at me what? And I have to remind them. I bought my first stock when I was 13. You know, I was already learning about investments well before at 13. Both my grandfathers, my best friend's, grandfathers my father. That's what they like to talk about. Frankly, we didn't talk about sports. I didn't get the bedtime story about Hansel and Gretel. You know, I got stories of the hunt brothers trying to corner the silver market. It's kind of a recurring joke I tell, but it's actually serious, you know, learning about, you know, my father telling me it's not much fun getting a margin call at three in the morning because silver's down. Just things you learn way before schooling or way before you would ever read about in a magazine I had already heard about.

AR: So I bought my first stock and it was fun and it started off a good thing. And you know, mutual funds, equities, you know, they're good, you know, I've lost money, I've made money, you know, that was all fun. But you get a bunch of stock pickers in a room and everybody's got the biggest ego and whose stock went up the most, or you know, whose sharp is the best. And I never really enjoyed it. You know, the crypto bros. I mean, I could tell you somebody, I have a 500% return. They've got a 600% return and they don't really help each other. It's just more about bracking and who's right, you know, the gold bugs. I love gold. I love the history of gold. I'm a, in college, I was a history minor. I love reading about history and everything. Gold's nice and all, but it doesn't make me money. So it's a very small portion of a portfolio. I'm not docking gold. I'm just the idea of being a gold stacker.

AR: Having somebody rob my house or pay a gold vault fees doesn't really do it for me. You know, and I don't get me wrong, I'm simplifying the argument there. They, gold has its benefits, doesn't pay dividends, doesn't pay distributions. Not particularly tax friendly. Obviously I hate paper assets of gold then even in the vaulting, we won't go into it too far Cause I know this isn't a gold show, but even in the vaulting world, there's been a lot of drama. Is it allocated? Is it segregated? Does the bank actually have your gold? Anybody wants to go down that rabbit hole, there's just Google it. Or you know, you could always hit, you know me up, or just go on LinkedIn. Frankly, there's tons of people that would talk your ear.

AR: So for me, you know, real estate, it's pretty obvious it's the most tax favorite asset and it's not even close. There isn't even a number two or three in my mind. It's easy to understand. It's relatively stupid proof. It generally tends to go up, it cash, you know, it, it pays. Rent is nice thing. You see it in your bank account. So for me it was, okay, let's do real estate. So we bought too many single-family homes and it got unwieldy. So it got to the point where I had to decide, do we continue down this route? And it would create a need to expand, to justify making a company out of it, bringing out a virtual assistant, bringing off a staff. And it just, it didn't work for me. And some people say, that's nuts. I mean, you, that would make sense if it would make more money. You like the asset class? And I said, No.

AR: The point of the money, the why was to remain passive, to be a good husband and father. And you know, my family runs a, we have a family business and it's quite time demanding and it's quite stressful, and that's where my focus of course has to be. And the number one priority is my family and the family business. Investing is supposed to be a side hobby. It's not meant to be a distraction. So I had to figure out why I like real estate, but I don't want to get this many phone calls about evicting a tenant. Approving the air conditioner, you know, needing to be replaced. So I looked around and I found out, hey, there's this thing called syndications, and that's how you entered, you know, down the rabbit hole of syndications.

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AR: We won't go into it too long. I see you're nodding your head. I see your eyes getting it. The best syndicators, in some instances, you have to be accredited so that not everybody advertises. So some of the best deals are 5 0 6 B, which means you have to have an existing meaningful relationship, right? So how do you meet these people if you don't know them and they can't advertise? The only way to do that is to network, network and network. And in the process of networking, you find out how little you know, and it turns out it's a lot of fun. So I go to consistently three to four

Zoom networks a week. We have our own, and that's been the best source of both knowledge and increasing good deal flow.

AR: I mean, the point isn't to increase deal flow where I'm reviewing a new investment every day. I don't wanna be doing that. I wanna review good deals. And when you find of, you know, your handful of syndicators that you like, no and trust, you just wanna have enough deal flow that, God forbid I sell a house tomorrow, I don't wanna be sitting on the couch forever. You wanna have access to a good deal. I know I'm being a little bit overboard with emphasizing good. Yeah, there's no shortage of deals out there. Once you're in the know, then now the different, the new problem has become, he went from not enough deal flow to how am I gonna vet it all? And then you realize it's not all good.

AR: There's, I'm not saying there's a lot of junk out there necessarily, but there's, I'll just be polite and say there's a lot of average. And average right now definitely isn't good. You know, two years ago, average was fine. Average was making, you know, rents were just gonna skyrocket. And whether or not you were almost a good operator, you were gonna make good money. You know, Warren Buffet has that famous expression that everyone loves and, you know, I apologize to, everyone's gonna roll their eyes. They've heard it before, but you know, you only know who's swimming naked until the tide rolls out, right? And I think I might have inverted in when I paraphrased.

AR: We get the idea that, you know, like it's the same thing with the stock market or almost, you know, any market. You could be a Bitcoin fund manager and two years ago you looked like a genius and now you look like an idiot. Did your skill really improve or decrease depending on the time period, or was it the time period? You know, it's the same with if you had a tech fund and you are a, an equities manager, were you really a good manager? You know, cough, Kathy Woods, you know, right? Everybody looks like a genius in a bull. Now I don't know what she's down and I'm not just picking on her too much, but now she's down in time. Is she a terrible fund manager now? I don't know. It's hard to tell really what she did, all she really did was ride a trend. We'll see.

AR: So that's one thing I would advise people about real estate is if you're with the best of the best, the best teams, they're gonna make money. I've always found it weird that, you know, people get so enamored with these news headlines.

WS: It directs everything. It seems everybody does, right? How you feel every day is depending upon the news headlines.

AR: Yeah. And I'm gonna say something that's inappropriate, but that's my personality side, you know, just bear with me. And anybody watching, I just apologize. But it's how I feel. Why am I gonna read a 25 year old's article about the economy, about investing, who's living in her mom's basement? And granted she graduated from an Ivy League college, or he graduated from Ivy College, or sorry, they graduated from an Ivy League college. You know, to be politically correct and they've never owned real estate, don't have any investments. Why do I care about

their opinion? I just have zero interest. The mainstream media is just amusement for me. It's, I call it fertainment. It's just garbage, frankly.

AR: You know, to say a market's going down. Okay, that's lovely. That meth bargains are harder to find. That doesn't mean bargains doesn't exist, right? That kind of an tum or bipolar world is a sign of well, ignorance, stupidity, or psychological disorder upon a person. The best operators are not the same as the newer operator. Who gets the call from the broker for an off market deal when it's a good deal? The person who's closed before, the person with more funds, the person with the track record. We all know lending is not created equal. You and I go into a loan. And Joe Fairless goes in for the same loan. Joe gets the loan before us. That's how life works. Life isn't fair. Never was meant to be.

WS: I'm good friends with Joe, so I may call him or I'd say, hey. I'm just kidding.

AR: Joe, stop holding all the lending money. Okay.

WS: Yeah.

AR: You know where I'm going with that. It's like Warren Buffet walk into a bank.

WS: Right.

AR: You know, we're not getting the same terms, we're not getting the same rates. Obviously, I'm probably gonna be dealing with underlings. Three months later I'm meeting with the loan officer. You know, he's already at lunch with the loan officer. That's just called life.

WS: Yeah. And it didn't start there for him either. It even goes back, I think even back to the networking piece you talked about, you know, a few a number of minutes ago, and you gotta get started somewhere. You gotta start networking. And I can relate directly to what you were talking about, the commercial real estate piece versus a single-family. It made me think when you were talking about it made me think. When I first started trying to learn about real estate and I started going to all the meetups, right? And that was, you know, there was one here locally I would go to.

WS: I mean, every week I was meeting people and everybody in there was in the single-family space. And it was so cutthroat. I mean, there were literally fights within the meeting at times. I mean, people were so at it, at each other. You know, where they're going after some of the, a lot of the same deals and you know, they see each other on the same auction steps. And I mean, it is just, I was like, wow, you know, is this really what I want to be a part of? But the commercial real estate industry, you know, as we grew and as we moved that direction, thank the Lord, it's not that way at all. Our best deals have been because of partnerships, right? Or we've moved quickly and grew fast by collaborating and finding talent and, you know, partnering and bringing people together that, that have made an amazing team versus the team of one, which wouldn't have gone very far.

AR: I love that you just said that.

WS: Yeah.

AR: Just recently had somebody in a repeat a maxim that I really loved. If you want to go somewhere fast, go alone. If you want to go far, go with your friends. I mean, it's very true. And the deeper you dive into commercial real estate, you start realizing, and it's not just about money. A lot of people they grasp on and I get it and it's good, it's a good start. They grasp onto that first piece that Whitney wants to buy a \$20 million building. And of course, you know, Whitney doesn't have \$20M. Now granted, we're gonna borrow money, but Whitney doesn't have, let's just say, you know, \$2M, even if you got a, you know, 80% loan to value loan, right? When he doesn't wanna invest all 2M of his dollars in that building, he'd like to, Some people on board with them, they grasp that part of it, you know, intuitively. But it, you know, as you know, and I'm gonna preach to the choir here a little with you, but maybe for your viewers, it goes way beyond that. Of course, right?

AR: A good commercial real estate team goes way beyond one person because of skills. There's, I've not met anybody. I mean, there's people that are very talented. But most people are somewhat a specialist, somewhat. I mean, I'm not gonna, I'm not gonna oversimplify it. I mean, they know there's, you know, the best people know everything, but you're gonna have one person who's really good at underwriting. You gotta have a person who's really good at sourcing the deals with the brokers or other operators. You know, oftentimes you're gonna have one person who's really good with just dealing with the bank. And then you have investor relations and capital raising and we're, you know, we're really oversimplifying things. I'm not to imply that underwriters can't raise capital or the capital erasers don't understand underwriting. I am not trying to imply that.

AR: But the idea that one person could wear all those hats and wear all those hats effectively. Borders on absurd, you know? So when you see a deal with one person or two people, I get nervous, obviously. And then when you see a deal where everybody is a capital raiser or everybody is an underwriter, I get scared, and I hate to use the word holistic, who's such a cheesy buzzword of the day, but it is true within commercial real estate, if you don't have a team of people to answer all the facets. You're exposing yourself now as the LP investor to risk. And a good example is that I was reviewing a deal that I liked on paper, some things. There was one thing I didn't really like and I sent it over to a friend and I said, can you just do me a favor and look over the underwriting more? And then the fact that I didn't know the syndicators that well. I was asking him to, if he could vouch for them, he didn't know them, but he said he'd do me a favor and take a quick look.

AR: And he came back and he said, I didn't even get to the underwriting. And I said, okay, who has that? I was curious. And he said, well, the entire presentation, they had one slide about property management, and it was the generic slide you could create in 30 seconds. It looks like they could just cut and paste it from the property manager's website. And he said he fast forwarded, watched part of the webinar and just never found any meaningful discussion. And he's like, look, there's just so many deals out there. I would never even consider this. And I said, oh, why is that? Tongue

in cheek a little bit. But he said, Why is that? And he says, Well, he said the same thing I'm gonna say is, what's the one of the highest probabilities for a deal to fail? Property management.

AR: So if these guys don't feel property management important enough to present, or haven't taken much time in it, there's just too many deals. Like, I just, I'm not, I don't have any more time to. So I'm not even gonna look at the rest of the deal. I'm, he's annoyed at that point with me for sending him the deal. Now he understood I was in educational purposes to help me. But yeah, it was one of those deals where he wouldn't even have looked at it. And I'm thinking to myself, wow, I just spent a lot of time looking at this deal. I had that reservation, but I still proceeded. So it was a learning moment, you know, for me. And that was really the whole purpose of the exercise. So, you know, like there's deals you'll look at where they're very quantitatively strong. You know, you have a CPA and let's just say another person who you know with a numbers background, and it's great. They got all their numbers down and they got spreadsheets and their underwriting's really solid.

AR: And that's important. Don't get me wrong, that's great. But how are they gonna execute the business plan? We're running a business, we're not running a spreadsheet. It tries me nuts that people feel real estate as it's just no. It's not just math. It's simple math. It's important math, but it's not just math. If anybody's gonna tell me it's just math, I'm telling, okay, that's great. You can be on my podcast, but I'm not investing with you.

WS: Every deal's. It's on business in my eyes, every project.

AR: Particularly if you're gonna do value add, right? I'm a remote investor. I own a house. Let's just say for instance, in North Carolina, I have a remote property manager. Why should I co-invest with you on an infinitely more complicated building that's vastly bigger than my little house? If we're just doing remote landlord, if we're just gonna be absentee landlord, I'm just gonna delegate away willy-nilly responsibility to a property manager. I can do that myself. I don't need you for that. You're not bringing any value to me. I don't wanna do it. I guess I could do it. A lot of my friends. I could do a renovation on a, on my existing property or a property I'm gonna buy, and I could do it remotely. It doesn't sound really fun and I don't have a lot of connections. I could get burned really easy. That sounds like what you're doing, just on a bigger scale, if that's that person. See, I think that's a nuance that people are missing. You know, it's the opposite too. You'll have people that are great in all the soft skills, can't run numbers. That's, you know, the inverse, just as dangerous.

AR: So as the LP really gotta look at the team and everybody says the team. And then you've watched a webinar, watch a presentation, and two pages on the team, and then bam, we go into gratuitous amounts of how hot the market is. There's a Starbucks down the street. God forbids some drone video footage.

WS: Go to the flashy stuff, right?

AR: Yeah. bunch of IRRs that frankly, I don't care about because I'm being, let me caveat that, I care about the IRR, but I'm not even listening like my blinders are on. It's not even a starting point. If you don't match the first steps of the deal. I'm not gonna make it through that part of the webinar. I'm already clicking off now cause I don't wanna hear it. It's meaningless, they're projections. And projections have no merit. If I don't believe in a team, I don't wanna hear red comps anymore like, I'm just, I'm out.

AR: I think one of the things as an LP start learning is you really need to increase your deal flow so that you have the ability to just quickly say, no, that's not for me. And that's not to say the deal might not make. This is a long term relationship. I mean, this is gonna be, you know, the boyfriend or girlfriend from hell for you if it goes south.

WS: 3 to 5, 6, 8 years. That's right.

AR: Yeah. You look, I mean, I think about three to seven years. And if you gotta call up the syndicated and be like, hey, what's going on with the deal? You said you were gonna give out monthly updates or quarterly updates. Where's the update? Or you get the update and you're like, Man, there's grammatical errors in here. It's very vague, you know, Can I get some accounting statements? Do you really want to deal with that? You know, you get a capital call, which, no one talks about, like as if it can't happen. Trust me, it can happen. I've had one. How it's communicated is definitely gonna be the foundation of is that relationship gonna work in the future?

AR: Everybody's nice when you're wiring 50 grand, right?

WS: That's right.

AR: You find out, you know who your friends really are when it's, Hey, Andy, you know, we need six grand because those, what was that? Oh, you're not going to proforma. Why is that? Oh, you're having a problem with property management. Wait, you told me. Don't worry. We're just gonna delegate it. Or, you know, the due diligence. Don't worry. The broker said we could bump up rent's \$200. We, well, we're able to bump it up 20 bucks. You know, the market's a little tighter than we thought. No, you didn't think you trusted a broker. That's kind of a side issue.

WS: I know we're in a moment, we're gonna jump more into vetting the team and some questions that you'd like to ask, and I wanna do that. And before we jump into that segment though, explain a little bit more about your path into syndication, though I know you did single-family stuff. And not really why syndication. You've talked about that, but like maybe how you educated yourself or, I know you talked about networking, but you came from really the stock market for many years sound alike into the real estate business, but syndication was kind of its own animal. I guess, how did you educate yourself to be confident for your first large investment in a syndication?

AR: You know, I often talk about it, it kind of flows in stages for most people, and oftentimes people get hung up or stuck in stage. You know, and I often refer to stage one as consuming, you know, and the lowest form of consuming would be excessively watching YouTube. There's lots of good content on YouTube. I'm not saying I watch YouTube every, most everybody I know watches podcasts or interviews, and there's lots of great educational content on YouTube. What I mean by is, If that's all you're doing or you're doing too much of it, at some point it's time to poop or get off the pot.

AR: I meet people and I'm like, Hey, I met you six months ago at a network meeting and you said you're looking into investing in real estate, and they're still looking. It's been six months, it's time to poop or get off the pot, and I get it. It's a lot, you know, it's a one time big chunk of money. No one wants to be the guy that bought at the peak of the market and then two days later it crashed. But here's the thing, were you really worried about your 50 grand? Were you really worried about it going down to 40 or maybe not getting your distribution? Or were you really worried about your ego, your pride? And no offense, people are gonna think I'm a jerk, but I'm gonna tell you the truth as far as my truth. That for most people, you're talking your pride. That's your biggest bank account. No offense, that's your biggest debit card. That's your, you know, your emotional credit card. That's what people are spending. You need to get over yourselves.

AR: People lose money. Not every investment does well. That's not to say, you know, just go willy-nilly into it and be unprepared or do some stupid things. But paralysis by analysis is a real thing. The sideline is for suckers. If you wanna wait around for the trough and you're gonna sell at the peak, first off, you're kidding yourself. You don't have the psychological strength to do it because you haven't been doing it. You don't have time in the game. You haven't had skin in the game. Go. Keep watching all the YouTube videos. Hang out with your latte, sifting friends, and talk about it at a party. Stoke your ego, but you're full of it. You ain't doing. The real people are out there, They're tranching in with money. They're out there looking, good market, bad market. They're looking for deals, they're examining deals, and they're networking.

AR: So that gets you to phase two. You know, you start meeting people and it's a higher level. It's not just consuming and you, that's when you start asking questions. And again, your ego has to be on the line. You have to not be the smartest guy in the room. You have to be able to look like an idiot. Ask a question. What's the cap rate? The only thing that's truly foolish in life is willful ignorance. If you choose to be ignorant, that's on you. There's lots to learn in life. I mean, everybody I know. I mean, you know, you said, you know, Joe Fairless, he's more interested in learning and more invested in learning, spends more time in learning the average newbie. So explain that to me, right? There's so much to learn.

AR: Say, if you don't have your ego in control, your pride in control, you're not gonna be successful at this. Let's just be honest with you.

WS: I spend a lot of money learning from others. No doubt about, It's a whole, and one big benefit of even having a podcast is getting to talk to so many people and ask

so many questions. That is a major benefit. I saw this little art, I don't know. I don't know who posted it on LinkedIn. This morning one and it had this, we've all seen these things of stair steps, you know, everybody talks about taking steps, you know? Then it said, you know, it's scary to take the first step. However, then it showed two staircases and it showed a guy standing at the bottom, you know, here, and then it said a year later, the scariest thing is, guess what? Him still standing at the same step cuz he didn't take us, you know, like that's scarier than taking the first step, right? Is thinking a year from now that I didn't take a step. I didn't do anything. So I thought that was a lot about what you're saying there.

WS: So, Andrew, we're gonna jump in a moment or in the next segment on questions you like to ask and vetting operators in that team going more into that. But before we do, for today, tell the listeners how they can get in touch with you and learn more about you.

AR: The only social media I'm on is LinkedIn. I spend quite a bit of time on LinkedIn interacting with people and posting. That's the only place my mini podcast, the CRE Spotlight is on. You know, it's a little five minute clips of captioned audio and it's good stuff. The only people that are allowed on are people that I know, like, and trust. So you can't buy your way onto the show. We have a no douchebag policy. I'm not allowing anybody on that's for sure. So you could offer me, not that you would, not that anyone would, but you could offer me a million dollars. And if you're a syndicator, I don't like, and I could name a few, but we're not allowed to on air. You're not coming on. It's just not happening.

AR: The one asset that I value above all asset classes is my reputation. That's my wife's reputation, That's my son's reputation, that's my father's. And it sounds silly, you know, they're long gone, but that's my grandparents'. That's my mom who's passed away. That's one asset class I'm not willing to tarnish. It's not for sale. So that would be one of the things I would say is if you wanna talk to somebody who's got no agenda, I'm your guy. You know, I don't have a mentorship, I don't have a sales group not publishing a book. I'm probably the world's worst monetizer. But it's also been a very beneficial to me. Cause a lot of people do come and talk to me and it's formed really good relationships. And when I ask some of the people, Why are you talking to a little fish like me? They'll often say, Well, the one nice thing about you is there's no agenda.

[END OF INTERVIEW]

[OUTRO]

WS: 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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