

Episode 1474

[INTRODUCTION]

Andrew Rosenberg (AR): I'm gonna tell you, my view is that the wheat will be separated from the chaff, and I don't know if that's six months, two years, three years. I don't put a time on it, but I'm very convinced just like all the other capital markets, bad operators will suffer. They will die. And the better operators are gonna gobble it up. So you wanna make sure you're with the experienced operators. You want to make sure you're with ethical people.

Whitney Sewell (WS): Everybody wants to know what's going to happen over the next six to 12 months. Well, all we can do is speculate, right?, Or ask everyone's opinion. And do our best in trying to figure that out in planning for the worst, being prepared for the worst, and hope for the best right? But today our guest is back, Andrew Rosenberg, on the Daily Real Estate Syndications Show, and we're gonna jump into just that. I asked him about some things he might consider that's a deal breaker for a transaction, but also what does he expect to happen over the next six to 12 months and how he's preparing for that.

[INTERVIEW]

WS: Andrew, welcome back to the show. Honored to have you back. Appreciate your time again. Well, we just had a few minutes still. I wanted to be able to jump in and talk about what's one thing that you would consider as a deal breaker in every transaction? I know we've talked about a few of those things, but is there anything that's like maybe you've seen, or maybe you have an example of this and a few transactions that you've dealt with firsthand that you would say, hey, this is a deal breaker.

AR: If at all, you feel like the business plan doesn't have a high degree of succeeding because they don't have the right skill sets, don't do it. You need the full team. We talked about, I'm not gonna get into the detail, but you need the full team. A bunch of guys with spreadsheets is not gonna cut it. They made money in the last few years. The next few years, and I know we're gonna jump into the future. The next few years are gonna be harder. You need the people that who gets the fan. They can get additional capital. Something bad happens. They can call it Joe Fairless and be like, man, we're in trouble. X happened. What do I do? They have a network where they can call they're smart enough, networked enough and humbled enough to say a hurricane happened.

AR: What do I do now? Like I wasn't, we didn't have this in the pro forma, and a guy like Joe Fairless can say, you know, you're getting screwed on a fire you had in your unit. Hire a private adjuster to make sure you get the fair value of your money. A young syndicator might not know that was even an option.

AR: You know, Joe Fairless would advise, you know, his mentees or his friend. Hey, go, you know, hire an adjuster, it'll work out. The thing is like when you're looking at

investments, if you get the sense if something goes wrong, do they have the skillset and resources to pivot? If you can't answer that question, it's not a good deal.

WS: I hadn't thought about asking. You know, I invest passively as well with a number of operators, and obviously I know them, or I have known them for a number of years, but I've not thought about asking as a qualifying question. Who are your mentors? Who's providing guidance to you? I mean, I put such a high level of weight on my mentors and who they are and willing to pay quite a bit. I mean, around do you know for specific, just to be connected with people that I know are gonna give us great guidance and have skills that we don't have or don't have yet. And so anyway, it's an interesting thought to ask who are your mentors? Who's guiding you? You know, as you're thinking about investing.

AR: It's very revealing. If you're a Brad Sumrock student, I respect Brad. Doesn't mean I'm investing in your deal, but it just gives me a little more willingness to review the deal. If you hit me up out of the blue, it make it more likely that I'm gonna take the time to look at the deal, because I've dealt with several of his students and they have their stuff together. And that's not a plug for Brad. I'm not affiliated with them in any way, but several of his students have at least presented good deals to me. And there's a gentleman to be unnamed. He has a pretty big network and he has the students running around and, frankly, if you're one of his students, I'm not looking in your deal.

WS: Yeah, the mentors matter for sure.

AR: Yeah. This is the things that network, network, network. And if you wanna call it passive, it's a term, but it's not passive.

WS: I know we just have a few moments left, Andrew, but obviously you know the burning question that everybody's having, right? What do you expect to happen in the syndication industry in the coming six to twelve months? Or just thoughts around that or how you're preparing one way or the other for what you do expect?

AR: Yeah, I mean, everyone wants to talk about is interest rate's gonna keep going up? Is inflation peaking? Are we in a recession? Are we gonna have a recession? How deep, how bad. You know, nobody has the crystal ball. We don't know. But you know, you put a gun to my head and say, Andy, tell the truth and stop caveating, just go out there. I'm gonna tell you, my view is that the wheat will be separated from the chaff and I don't know if that's six months, two years, three years. I don't put a time on it, but I'm very convinced, just like all the other capital markets, bad operators will suffer. They will die. And the better operators are gonna gobble it up. So you wanna make sure you're with the experienced operators. You want to make sure you're with ethical people.

AR: The bad people are gonna be over-levered. They're gonna have works in their deals. There'll be something wrong. If things go wrong and you're with an unethical operator, you're gonna be left hold in the bag. So it's never been more important to pick the better operators. You know, markets can go down, but a better operator's

gonna find good ways to reduce expenses. Bad operators are gonna do things to reduce expenses that cause tenants to leave and all of a sudden, problems compound and work. You know, you're playing the money pit game. It's never been more important to pick good operators. And I really think there's value, there's opportunity, sadly, in chaos. The greatest wealth is made during bad times. You know, it sounds very heartless of me to say, but the smart money that I know, they're really eager about the next two, three years. They really are looking forward to swooping in and buying stuff pennies on the dollar.

WS: Yep.

AR: You know, they have post-GFC. The people that had the cash, that had the insight and had the ability, and the, frankly, I'm just gonna say it's rude but the balls to buy, they made a lot of money. That opportunity, I believe, is coming again. That's not an excuse to go watch TikTok and Netflix for the next two, three years waiting for the bottom. It's exactly the opposite. Right now, you should be eagerly learning the industry and networking like crazy. And I'm not saying not to buy deals. I'm just saying you better be buying really good deals with really good operators. This is not an excuse to have money sitting in the bank.

AR: Let's call it 8, 9%. You know, we're not giving you an excuse to fail. This is not an excuse to passivity. But yeah, there's gonna be some wonderful opportunities presenting themselves. So I would say eyes wide open to opportunity. Not to be scared or paralyzed, but you know, by all means, like stop drinking the Kool-Aid. The party isn't gonna go on forever. You're not gonna get this 30%, 18-month returns. If you're reading that on LinkedIn, and that's how you're picking operators, you're probably bringing on a way more downside risk than you realized. And the same mistakes he made in Bitcoin and in the equities you're just gonna repeat in real estate.

WS: All right, Andrew, time for just a couple quick questions before we have to go. What are some of the most important metrics, or maybe just one or two, the most important metrics you track? Could be personally, professionally, or anything in between?

AR: Do you mean financially?

WS: Yeah, it could be. It could be your bench press record or how many mornings you're up on time. Or it could be, you know, how many deals you're looking at, or you know, an IRR that you want or anything.

AR: It's gonna sound terrible. I don't really have a metric like that. You have to have, see, I have a different belief, like I'm a quantitatively-oriented guy, but I believe in the limitations of quantification. I have tremendous faith ordering on insane or religious, depending on your viewpoint that if I just keep helping other people, good things come to me and it really has the best deals that I'm in are all from networking. They're not deals that were advertised, they were not sent to me. The best deals are

deep, meaningful relationships that I made with people that said, hey Andy, this is a good deal for you and it came from a third party.

AR: So for me, my biggest metric is, I guess, I guess we did mention it, and I go to three Zoom meetings a week and I meet lots of other investors, operators, lenders, and things. And then I have our, we have our own Zoom meeting that, you know, I co-host with Christina Stevens, who's a wonderful woman. She's really gonna go places. She's gonna vastly outsee me very quickly. I'm gonna be excited to be saying I know her, not the other way around. Those are the metrics I really track is the number of deep, meaningful relationships I have and how, who I helped. I don't really track how many deals or what. I have a really strong belief that the deals will come, the results have come cause I've already been doing this for a while and they will continue to come and all I really needed to focus on is adding value however I can and helping people.

AR: You know, whether that's meeting somebody and they say, hey, I'm from this city. And I say, oh gee, have you met so and so? That's a simplistic example, but you know, someone calling me up and saying, hey, I'm having a problem. What should I do? And sending, you know, the time to walk them through it selflessly. Those are the relationship building moments that really propel you in real estate. Everyone says the long game. I actually believe in it.

WS: Andrew, grateful for your time today. Actually, numerous days worth of shows here and you very generously gave to us and our listeners in that way. Tell them once again how they can get in touch with you and learn more about you.

AR: Oh, yes. The best way to get ahold of me is on LinkedIn. Real easy to find. I'm on quite a bit. I post almost every day and just hit a connection request. I accept every connection request, and don't be shy. Start asking questions right away or you know, if you wanna meet, we can talk on the phone or zoom. And just a reminder, everybody, I have nothing to monetize or sell. I just genuinely like helping people. It's my currency. Money's nice, but I really prefer meaningful relationships.

[END OF INTERVIEW]

[OUTRO]

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

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