

EPISODE 1480

[INTRODUCTION]

Jonathan Tonks (JT): Going into it as you set these goals for yourself, and you see a lot of your mentors or people like yourself, Whitney, and how quickly your company has grown. And it gives a lot of confidence that it's possible. Obviously, getting started and you set a unit goal for yourself or income goal for yourself and realizing how long it actually takes to not only cultivate relationships, but nourish them, and perform on what you promised to people. So, just being patient with myself and knowing that in time, just keep doing the things that we know are gonna work, and keep taking good care of people and know we're gonna get there at some time.

Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today our guest is Jonathan Tonks. He's passionate about developing leaders through business creation and investing for generational wealth. He began investing in real estate in 2020, and created an investment firm called Provision Space to partner with large multifamily operators around the country. As a managing partner, he is responsible for building relationships with investors, vetting investment opportunities from sponsors, and providing a strategic vision for Provision Space's growth. I've known Jonathan for a while now, it's been incredible to see his growth. He talks about that today and how he's done that, even the career path that he initially chose is not an easy one. And giving that up and deciding to take a different path which is a difficult one as well which you're going to hear him talk about, even figuring out his strengths and how he can apply that to this space in our industry. It's going to be great, especially for those of you who are just getting started or passively investing. You're gonna learn a lot from Jonathan today.

[INTERVIEW]

WS: Jonathan, welcome to The Real Estate Syndication Show. Honored to have you on.

JT: Thank you so much, Whitney. Happy to be here, man.

WS: Yeah, you know, it's been great to get to know you over the last year or so, or longer now and see your growth. And looking forward to hearing more about that and how you've done it. And so let's dive in. Who's Jonathan? Update the listeners a little bit and let's talk about it.

JT: Absolutely. Well, thanks again, Whitney. It's great to see you again. And really excited to be on the show. It was one of the first episodes or first podcasts that I was really starting to get listening to when I was starting my commercial real estate journey. So, excited to come full circle and be here with you. But yeah, just a little quick background about myself. I shared this with a lot of people. But my initial chosen route for a career was in the automotive engineering space. That is what my parents are majored in, both electrical engineers. That was the career path that I thought was right for me. And I started out in that space, mechanical engineering. I had the opportunity. Fast forwarding a little bit, once I graduated, I moved out to a city called Holland, Michigan which is where I'm currently located.

JT: And when I moved out here, I had the opportunity. Thankfully, just right before Covid when I got started, but I had the opportunity to buy a duplex. And that was my first real estate purchase. That was my first introduction into being a landlord, being responsible for someone else's living arrangements and well-being. And I was living in one unit renting out the other. And I just knew from that moment, just the combination of all the studies and listening to podcasts like yours, that this is what I wanted to do. I always had that business inclination, but taking it to the next level and quickly got plugged into mentorship groups, some great coaching, and started on the commercial real estate side specializing in multifamily syndications, and about a year has passed since that started closing in on about 400 units, about \$43 million in assets under management and looking for ways to grow and scale together.

WS: Congratulations. Wow. Well, you know, I wanted to back up just a little bit. You mentioned you took the family path, you became an engineer, both your parents were engineers. I can just see you telling mom and dad, hey, I don't think this is what I'm gonna be doing much longer, or

I'm taking this path of real estate. Tell me about that a little bit. How did you navigate that conversation? Was it welcomed? Was it not? I've heard both ends of the spectrum.

JT: I feel very thankful to say it was well received. But to their graces, it wasn't really a surprise, I would say, because I had been tinkering around trying little micro businesses in college. None of them were very successful but always had that business mindset, whether it was going through a corporate setting, being more of an entrepreneur, really, entrepreneurship wasn't on the radar. No one in my family really started down that path. But when I started getting into it, and seeing the results that I was able to produce, and more importantly, what I could help produce with other people through the syndication route. It was very well received. My father is one of my first investors on my first real estate, commercial real estate purchase. So, very thankful for that.

WS: Awesome, now that's a blessing for sure to have their support. So, speak about, how did you know that this is what you want to do, though? I mean, it's obvious it's a big step to say I'm gonna leave engineering. That doesn't happen just by on a whim, right, becoming an engineer. And so how did you make that decision and actually say, hey, I'm gonna do this. But then, why real estate syndication? There's so many other paths that you could go down. I mean, in real estate alone, much less other things.

JT: Yeah. Well, I do want to make myself clear at the moment. I still am working at the automotive company that I'm employed with doing this both at the same time, really two full-time jobs.

WS: Until they listen to this.

JT: I know they're ready to learn about this, it's good stuff. But yeah, so it was the conviction in my heart that this aligned more with what I want to see in terms of performance-based compensation really. And if I'm going to put all my energy and joy and efforts into something like creating a business, what I'd like to be compensated for, but too, I'd like to see the growth and the connections that come out of that. And it really happened when I started hitting it hard,

reading books, fully invested in a mentorship program, and being involved in conferences around the country, and seeing the energy and the camaraderie and just the relationships that were coming out of organizations like that. That just resonated with what I'm looking for, for what I believe from an operator or from a business perspective. So, that's really kind of nudged me in that path.

WS: How did you determine your skill sets, your strengths, you know, how they would be applied in this business? I know you are busy working with investors, but a lot of engineers go down the underwriting path, it seems, right? But what are your thoughts behind how you determine that for you?

JT: Yeah, it's a great question because I didn't figure it out right away, I thought I would have to do all of it, but quickly realized, especially in commercial real estate, but any form of real estate or business in general, is a team effort. So, I was starting out by just underwriting properties and learning how the models work and how value is created. But it really became apparent after that first opportunity to partner in asset where I was raising some capital, but also trying to understand the financials of it, that I realized I really enjoy just speaking with people more, sharing what's possible, getting people involved, that wouldn't necessarily have that opportunity outside of the relationship that I might have with them. So, it started off, I thought I was going to be an underwriter and I think I've just gravitated a little bit more towards, it's nice to have those competencies as an engineering mind to see and understand how it works. But I like meeting people and sharing the good news with people a little bit better.

WS: What's been the hardest part of the syndication business or process getting to where you're at now?

JT: Patience. I think that going into it as you set these goals for yourself, and you see a lot of your mentors or people like yourself, Whitney, and how quickly your company has grown. And it gives a lot of confidence that it's possible. Obviously, getting started. And you set a unit count goal for yourself or income goal for yourself and realizing how long it actually takes to not only cultivate relationships, but nourish them, and perform on what you promised to people.

So, just be patient with myself and knowing that in time, just keep doing the things that we know is gonna work, and keep taking good care of people and know we're gonna get there at some time.

WS: Oh, it seems like forever when you're just getting started, you know, oh, my goodness, when I think back. But in the grand scheme of things, it's not very long. It's just not. You just have to keep moving forward with what you're doing. So, what about what's been the biggest challenge for you other than that, say the last six, eight months, twelve months?

JT: Last six to eight months? The quality of the asset that we're trying to take down looks for quite a few coming across and, and is more so being selective on what type of financing are we getting. What are the relationships that are involved in the assets? Like how well do we know the operators? That they've delivered in the past, and they've experience in that market. Because especially in my scenario, all of the assets that I'm involved in are outside of my home state, so, really building that trust and knowing intimately who's running the property and if the numbers make sense. So, I've seen a lot that just they may be close to the criteria that I'm looking for. But we try to stay diligent and persistent in that regard.

WS: What about you mentioned partnering with others, speak to building the relationships so people are willing to have you partner with them.

JT: Well, the first thing is figuring out what kind of value you bring to the team. And it can come in various forms, right? Like we mentioned, someone could be an excellent underwriter and could provide a second set of fresh eyes. You could be bringing capital to an opportunity like the avenue that I've chosen. But it starts off by just being willing to kind of bird-dogging and help out wherever possible. I see you guys get started by, guys and gals get started because they had a drone and had excellent video footage and you're helping out due diligence, whatever you can do to get your foot in the door. But in the end, you've got to bring some substantial value in terms of a capital deal flow or relationships, connecting people to people on the ground. So, whatever avenue and core competencies that you have can be used as valuable for a team. So just getting to know people through those activities.

WS: What's been your best path for building your investor base getting started and up to this point?

JT: In-person conferences are a huge component of it. It's tailored a little bit now because of the content and posting on social media. LinkedIn has been a good avenue for myself as well. But getting started was really shaking hands, having dinner with people who are big in the space and just learning from being near people. But when it comes to investors, again, it's hard to be in person, Zoom is great. And having this technology to meet people or call people is excellent. But really getting face-to-face is huge when it comes to bringing on new investors.

WS: Speak to your follow-up process a little bit. How do you differentiate yourself from other companies or what that looks like?

JT: Yeah, this is the key and we're kinda AB testing a lot of different scenarios to see what's going to work best and what is the best response that we're getting from investors. But what we tried to do, what I tried to do personally is just give as white-glove of an experience as possible. We're trying to be, I use the Cadillac standard of just using automotive, the Cadillac standard of relationship building when it comes to syndication model.

And just to use the example we're closing on an asset here pretty shortly but when it comes to, for example, pitching the opportunity, and getting to the closing line, or the finish line, a white-glove experience for me, if I was an investor is you're receiving consistent communication. You know what's gonna happen before it's gonna happen. And when you need some specific information that arrives on time when I said it was gonna arrive, and all the details are there. If there's any questions, I'm always accessible. And there's no questions really, that go down through the line, because we've been proactive in providing everything that you need. And that's just an example at the closing table. But throughout the process of building relationships, that's a CRM, sending emails on a monthly or bi-weekly, or bimonthly basis, and getting valuable content out to educate people on the process, inviting them to due diligence walks, whatever it takes to help answer questions before they arrive.

WS: Do you have any predictions for the real estate industry for the next six to twelve months? Or anything you're doing differently or buying, selling? How are you looking at the next year or less?

JT: I'm not an expert, when it comes to the overall economics, macro and microeconomics. I try to be observant and learn as much as I can about them. I haven't lived through enough cycles to say I know what's going to come. But what I really am trying to tailor to and shift a little bit is just honing in on the relationships that got us here, and really develop those a little more strongly. And again, be patient on the assets that are coming through across the table. But in terms of predictions, I think the ones who are going to be succeeding here in the next one or two years are going to be the ones who can be the most creative when it comes to financing methods. When it comes to raising capital as if that was an equity. The ones who really are persistent and can close them can bring the excitement, even when there's hesitancy or fear in the marketplace, once you can get it done, clearly are going to be the ones that stand in the future.

WS: What's the way you've recently improved your business that we can apply ours?

JT: Adding partner actually. Expanding out and not just a partner like another syndicator, or someone who's well versed in this field, I'm bringing on a good friend of mine who's actually in real estate, but just a different side of it, more on the residential. And he brings some of the systems and some of the relationship-building skills that I lack, that we complement each other. So he's very good on the negotiation side. He's very good with brokers and fighting for his clients. And that's something that I want to bring into my business as well. It's not dominance versus soft skills, it's more of do we complement each other to be more of a well-rounded package. Because we can be better together and individually.

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

JT: Great question. Invest with Whitney or myself. For passive investors, I really think it should be extremely clear on what you want. Before people just start throwing opportunities, I like to tell people, the reason I talk so much about building relationships, not only with investors but with sponsors is, when a new deal comes across my table, I want to be purely spending all my energy on the due diligence of the asset. I don't want to worry about due diligence of the people. I want to know that those people are delivering who I want to work with. So, as an investor say, do you want a bigger back end? Profit from the back end? Do you want more cash on cash? What is it that you actually want? Are you here for tax benefits? Just determine what's going to suit what you're looking for so that you can quickly say yes or no. Like a two-minute analysis, yes or no.

WS: Yeah, that's good. It's interesting because oftentimes, I'll say, you know, like on the investor relations side, that's what we're trying to find out, right? And it's not always easy when the investor is not really sure, or they haven't thought through a lot of those things right? Or we'll help them maybe think about that a little bit or even just asking questions can help them think about it. What am I really looking for? Is it the tax benefits? Do I need more income right now? Or maybe I can take less income now and more later. But yeah, everyone's situation is completely different, no doubt about it. Speak to the process of nurturing an investor that you've worked on so they're comfortable investing.

JT: Again, this is what you just said. every investor is different. So everyone has a different background and understanding. I have some investors who research so much in between the times I speak with them that when they come with questions, you clearly have been digging deep, because these are some intimate questions. But in general, I always like to get on a call with people. A couple of touchpoints at the beginning, just to get to know each other. I want to know where you came from, some of the things that you asked me at the beginning - What's your background? What's your family life like? What are some of your goals and what are the things that you're looking for? So, I'd like to get to know people first. And then it's just the consistency I mentioned. Every month, I send out a newsletter. Just some topics that I think are valuable and important for today's market, or today's economy. Whatever's going on that I think can be useful and educational. Anytime I'm doing due diligence on a property, sending

those pictures over, sending the team photos, so people can get involved and see that they're interested. And it's just, again, it's the education piece, most of the investors who are ready to go quicker than others are the ones who have seen a lot of pitch decks or seen a lot of investment opportunities. So there's a little less questions on return structure, what are our structure, the capital stack, but it's every, I'd say, every two to three weeks I try to get content out to people in whatever form that may be. It could be phone calls, texts, sending pictures, emailing, just to try to keep them excited in the moment.

WS: What are some of the most important metrics that you track? It could be personal, professional. It could be your benchpress number. It could be any deals you're looking at, anything in between.

JT: That's a great question, I like it. I'll keep it on the real estate side. One thing that I've been tracking, is how many books am I sending to people. And the reason I think that's important is, one, I use it as a gift whenever I have a new investor. Spoiler alert, if anyone wants to invest with me, just as a thank you, I have a couple of my favorite books that I send to people just to continue that business mind, that learning and nurturing mind. So, I track how many books I'm sending out. So, I can either give it as a gift if they're an investor, or we've had a conversation around something that could be valuable. So I try to send books and that's been reciprocated to a lot of great mentors and friends of mine who send me books. So, how many books am I sending? That's kind of an interesting metric that I like to track. I like to track how many new people in my meeting every month, and how many people are in our CRM and signing up. And then also, just to get it to four, the last one would be, whenever we're sending information, whether it be a newsletter, or new deal offering, how much interaction or the conversion rate really, how much interaction are we getting with those emails?

WS: What are some habits that you are disciplined about that are produce the highest return for you?

JT: That's the kicker, the highest return. I'd like to say cold showers in the morning. Every morning, I take a cold shower because I like to win the day with the mind. Who is it, maybe

David Goggin says eat your frog in the morning, do the hardest thing first. I do that every morning, and again, just to win the battle of the mind. So, everyone knows there's different ways to do it right? Start warm, and then I turn it cold. And it's that process of turning the knob that determines if I'm going to be changing for the day. So, that's one discipline. I also really, really stay disciplined on - if someone has reached out to me, I'd like to reach out within a 12-hour, 24-hour period. If I can text, if it's an email, that's when it takes a little bit longer to read up on them and respond to everything. But I try to be as responsive quickly as possible.

WS: Okay, I'll skip the cold shower. I've taken cold showers just for the fun of it like that years ago. But oh, man. That's a good tactic though, like, turn it down as you're in there. I just thought you just had to put it on cold and hop in, you know.

JT: I used to do it. It's just not worth it anyway, like, actually get clean, and then turn to cold system one day.

WS: What about if you had to pick one thing, the number one thing that's contributed to your success so far?

JT: Being willing to invest in myself through education, through mentorship, conferences. It's not easy when you literally spend your entire liquidity as a young man, investing in conferences and things I've never been through before for any other industry. But it's really just become the standard practice. I started with another discipline that I stick to is making sure I'm not just in real estate circles but getting out there and just sharing what we do because I don't ever feel like I'm selling. I think some guys are very good at sales, and they have very good conversion rates. But I'm not a sales guy. I'm an engineer by trade. I see the value of things and this is something that I really enjoy and want to do. And I just want to share it with other people.

WS: What are you excited about right now?

JT: This life, man. Just excited for life.

WS: Good.

JT: I'll tell you though, I mentioned bringing on another gentleman, expanding the business, just thinking about the dreams I had when I was younger. I looked through some of the notes and the goals that I set myself when I was younger and seeing them starting to manifest themselves. Again, it didn't happen, even in a year or overnight. It's happened over multiple years, just being prepared for this moment. Systems like things come in that no one knows about yet and I'm really excited to share soon. Yeah, just excited about life.

WS: What do you need in your business right now?

JT: Sanity, some sleep, maybe. I need, I just need good people. I love people who are not only obsessed about their industry that they're in. But like, I'll use you as an example, Whitney. I was very, very attracted to a company that first sorted out to not only for the prowess you have in the real estate side, but also for your heart and for how you give back to the community, and just that you made that clear practice and a clear indication right off the get-go, that means a lot more than someone who's only one facet in the business. So, I just like the people who bring that element to the team and into the organization.

WS: Appreciate that. Thank you for that. It is attractive, I think. I mean, for me to other people that are similar as well, you know, in that regard. So, I appreciate your desire to give back too. What's that?

JT: I don't think that's why you did it, though. You really believed it. It's not just and that's the point, right? I think it's easy to do it because you know there's going to be an emotional response. But you did it because you believe it and it's right for you that you know.

WS: I appreciate that. Yeah, there's a whole story behind that. But that's awesome that that stood out to you as well. But how do you like to give back?

JT: I'd like to be known as a very generous person. And it hasn't, like I tithe and things at my church. And I give back. Right now, one of the hardest challenges, one of the most fulfilling challenges I'll say is, I've been teaching eighth-grade, middle school boys at our church. And I tell you what, that is, that has cultivated some discipline in me that I didn't realize I needed. But God bless those boys, their awesome, high energies, learning how to channel that and stay focused on. I like to give back to the church that way, and I haven't done it as much recently but my family's big on going on mission trips, and just talk about these in different ways. You always have the, or at least I always had these epiphany moments when we would work at a soup kitchen, and then we come home, and man, why do I feel so good about helping people? Because we help people, you know, it's it's built into you, right?

WS: Yeah. Yeah, that's awesome you're teaching eighth-grade boys. You know, it's gonna tell you, they will, at that age, man, have so much happening, right? But they'll remember somebody like yourself, I mean, you can have a big influence on them, you know. So, what a great spot the Lord has put you in to use you, you know, in those young men in their lives. So, grateful for that. I appreciate you sharing that and your desire in your heart to do that as well. Tell the listeners how they can get in touch with you and learn more about you.

JT: The best way, if you want a quick response, just follow me on LinkedIn. Shoot me a message, love to chat with you there. But, best way, it is either through my website ProvisionSpace.com. LinkedIn, like I said, or you'll see my contact information on the website and just reach out. Give me a call, shoot me a text.

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[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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